HYDRO ELECTRIC ENQUIRY COMMISSION

ST. LAWRENCE SYSTEM

CORNWALL, DECEMBER 1922.

W. C. Coo,
Official Reporter

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HYDRO ELECTRIC ENQUIRY COMMISSION.

Cornwall, December 1st, 1922.

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HYDRO ELECTRIC ENQUIRY COMMISSION.

Cornwall, December 1st, 1922.

9:00 A.M.

S T. L A W R E N C E S Y S T E M.

P r e s e n t:

W.D. GREGORY, Esq., CHAIRMAN.

MJ. HANEY, Esq., COMMISSIONER.

R.A.ROSS, Esq., "

J.A.ROSS, Esq., ""

J.H.W.BOWER, Esq., Secretary.

R.T.JEFFREY,Esq., and
G.F.DREWRY,Esq., representing the HYDRO ELECTRIC POWER COMMISSION OF ONTARIO.

Geo.A.Stiles, Esq., representing the TOWN OF CORNWALL.

Reported by William C.Coo, C.S.R.

THE CHAIRMAN: At our last meeting held in Toronto regarding the St.Lawrence System,Mr.Casselman and Mr.McLeod who were there asked us to hold a sitting at Cornwall in order that those living in the district might have an opportunity of attending. We arranged to do so, and we are here in pursuance of that arrangement. At the meeting in Toronto,Mr.Jeffrey,representing the Hydro Electric Commission of Ontario,wished to reply to some of the statements made, and we were cut rather short on account of time,and we thought it well that he should have an opportunity to be heard at the opening of the session dealing particularly with

matters relating to the Town of Cornwall. I think we might divide the hearing into two branches: one dealing particularly with Cornwall and the other dealing with the St.Lawrence System generally. If Mr.Jeffrey will proceed now, confining himself to the Town of Cornwall,then later on we will take up the general St.Lawrence System.

MR.McLEOD: Just before Mr.Jeffrey makes his statement to the Commission,I would like to take this opportun-ity of thanking the Commission for accepting the invitation extended to it at Toronto to hold a sitting in Cornwall. I am sure the citizens of Cornwall and the district will appre-ciate the kindness of the Commission in coming down here. There is just one thing I would like to correct in what I said in Toronto; I was speaking from hearsay and my inform-ation came from a source that was rather in error. In giving the price quoted for the Eugene F.Phillips people at Cornwall, I said $32 per h.p., and I find I was wrong - it should have been $33.

THE CHAIRMAN: We are very glad to come here. It is not a kindness on our part; it is our duty to go to any part of the Province where the people want to be heard.

R.T.JEFFREY.

Before going on with what has been spoken of, there are one or two other matters that I thought might be cleared up. It really is not the St.Lawrence System altogether, there was the matter of rural lines and rates that was suppos-ed to be covered at the other meeting. There were certain statements made by Mr.Casselman and Mr.McLeod to which I want to refer,and they are connected more or less with the matter

of rural lines and rates, so that I cannot help taking up the whole matter at the present time. I will briefly outline the situation as far as Cornwall is concerned from our standpoint.

As you know, we have constructed immediately west of Cornwall, a large transformer station to receive power from the Cedar Rapids Company. There is considerable ancient history in connection with the Town of Cornwall as regards the matter of power supply from the Hydro Electric Power Commission of Ontario. As many as ten years ago when the then franchise of the Local Company in Cornwall expired, the Mayor of Cornwall, Mr. Chisholm, asked the Hydro Commission for information regarding the matter of power supply, and asked the Commission to make an investigation and advise them whether or not the Commission were in a position to supply Cornwall with power at that time. Engineers came to Cornwall saw the Mayor and other bodies in Town, such as the members of the Council - I don't remember who all they did see - but they investigated the matter of supplying power to Cornwall at that time and advised Cornwall that the Commission then were not in a position to supply the town with power and that they should make other arrangements. Cornwall proceeded to arrange with the local company for an extension of its franchise for another period of ten years.

About two years ago, the present company which is controlled by the Sun Life Insurance Company of Montreal, appealed to the people in Cornwall for an extension of their franchise, although that franchise had still approximately two years to run before its expiration. They held out certain

advantages to the town - I do not know what they were off hand - but I might say the Company operated the electric light plant, the street railway and the gas plant under one management, and there were to be certain advantages given to the city in connection with certain improvements the company proposed to make on its property here, provided their franchise would be extended for another long term. The Mayor of Cornwall at that time, Mr. Fetterley, came to our office and explained the matter to us, and he and other citizens asked the Commission to come to Cornwall or send representatives to address a public meeting at which both sides of the question would be explained.

THE CHAIRMAN: Was there a letter from Mr. Fetterley, the Mayor, requesting you to come?

MR. JEFFREY: Just off hand I am not sure, but I think we have all the correspondence. I tried to pick out all the essential letters, but Mr. Fetterley will be able to answer that question himself, I expect.

I was instructed by the Commission to come to Cornwall along with Mr. Drewry, to explain the Hydro question, which I did, and the bylaw which was submitted at that time was defeated by a very small majority.

Q. That is the bylaw extending the local company's franchise?

A. Yes. At that time, February 7th, 1921, we received a letter from Mayor Chisholm asking for specific and definite information regarding the present power situation in Cornwall district, and I was instructed to come to Cornwall personally and meet Mayor Chisholm and the Council, and I think he got the members - or as many as he could - of the Chamber of Commerce and the Board of Trade in the Council Chambers,

and I explained to them as well as I could the power situation in the Cornwall district.

Q. Have you got the letter from Mayor Chisholm at that time?

A. Yes, I have and I can read it. It is dated February 7th, 1921, addressed to the Secretary of the Hydro Electric Power Commission of Ontario. "Subject: Electric Power for Cornwall and vicinity. I would like to be informed just what the exact situation is, if you can oblige me with the information. Has the Hydro Electric any power available at this time for Cornwall, and if so how much or how big a block can it furnish? Where would it get it? If you are at liberty to do so, would you kindly inform me as to the situation between the Hydro Electric Commission and the Cedar Rapids Manufacturing and Power Company and the Cedar Rapids Transmission Company and the St. Lawrence Power Company of Canada? The Secretary of our Board of Trade informs me that there is a party willing and anxious to get 3500 h.p. Would your Commission be in a position to furnish this, and if so where would you get it? A committee to look into the whole power situation as it affects our town and vicinity, of which I am convener, has been appointed, and before calling this committee together I would like to be in a position to give it some definite detailed and reliable information. Our town and our Board of Trade and our other agencies here wish to negotiate with manufacturers, and we would like to be in a position to tell them definitely what we can offer or what they may rely upon in the way of power. What we would like to be sure of is the point as to whether we can get power or not, and if so, how much. The

matter of price can be negotiated for later. Yours very truly, J.A.Chisholm, Mayor."

TO THE CHAIRMAN:

Q. You came down as the representative of the Hydro?

A. I came down in answer to that letter on February 22nd, and I met the Town Council and as many members of the Board of Trade and Chamber of Commerce as they could get together, on the afternoon of that date, and I explained to them the power situation as regards Hydro Electric power in the Cornwall district.

Q. When you go out on trips of that kind who pays the expense? A. That would be what we call a Government charge. The Ontario Government pays the expense in connection with giving power to new towns and new districts until they become Hydro towns. Then these accounts are carried in a suspense account and they are later transferred against that town when they start operating. If the town does not come in, it is charged to the Province.

Q. I asked you the question because I understood the town paid your expenses at that time? A. No, the town did not pay our expenses. The matter of expense between us and the town was never discussed at all. I would have a perfect recollection of it, and there was no discussion.

At that meeting I explained to the members of the Council and the Board of Trade and Chamber of Commerce that the Commission had power for sale in this district having made arrangements with the Cedar Rapids Company for a supply up to a maximum of 10,000 h.p. I explained, however, that any arrangements that we made with power consumers in Cornwall

or in the Cornwall district would of necessity, under the Power Commission Act, have to be handled direct by the Commission. As the Commission had no contract with the municipality of Cornwall, the Commission would be unable to deal direct or through the municipality of Cornwall in connection with power supplied to any company that might wish to obtain power. That was explained very definitely, and I believe the members of the Council and other bodies fully understood the position we were in. It was explained to them that the Commission were anxious to get additional power in the district, not that we were particularly anxious to help Cornwall but that we were particularly anxious to get more loads in the district, and in getting greater load we were helping every municipality that was a partner in the Hydro scheme in this district. That was explained to them fully at the time.

There is so much of this correspondence that it would make the matter bulky if I read it all. This correspondence is all taken from the Hydro files. On March 3rd, 1921, we received a letter from Mayor Chisholm referring to my visit and mentioning that a number of companies had inquired for power and mentioned that I had stated that a number of companies had inquired for power, and he desired to have the names of the companies. On March 9th, a letter was sent out to Mayor Chisholm stating that the company in question, that I had spoken of during my visit, was the Eugene F. Phillips Company, and Mr. Drewry and I talked the matter of power supply over with them and discussed details in connection therewith.

Q. Was not one of the main purposes in coming from Toronto to meet the Eugene F.Phillips Company? A. That was one of the purposes of the visit, but I tried to kill two birds with one stone.

Q. You did meet the representatives of the Eugene Phillips Company? A. Yes, On March 15th, 1921 we received a letter from Eugene F.Phillips Company following up interviews previously held with myself in Cornwall, Mr.Drewry in Brockville and Mr.Gaby at our office in Toronto, and a definite request was made by the company for a proposal. The Eugene Phillips Company is a large manufacturer of copper wire and cable and material of that nature operating at Montreal.

Q. Does it manufacture materials largely used by the Hydro Electric Power Commission? A. Largely.

Q. What proportion of its output do you take? A. I could not say.

Q. A very large proportion? A. No, I wald not say so. They manufacture for the whole Dominion of Canada; they manufacture wire for the Canadian General Electric Company and for the Westinghouse Company and also for shipments all over Canada, and I suppose they export in connection with similar works like our own.

Q. Would you take half its output? A. We would not by any means be their largest customer on account of the transmission material which we buy being largely or to a great extent aluminium, and they do not manufacture that.

Q. You would not take half their output? A. No, nothing like that. I am sorry I have not got that information for you. I suppose we are a good customer. We could be looked upon as a good customer, and that is all.

Q. I suppose you would be perhaps the largest customer in this country? A. Not by any means. This company have a plant in Montreal.

TO MAYOR CHISHOLM:

Q. The Chairman has been trying to find out from you how much approximately of the output of this company you take and you have not told him, do you know? A. I told him I did not know.

Q. If your memory is no better now than it was before, I pity this Commission. Would you say that you buy at least $400,000 a year from them? A. I could not tell you.

Q. Would you deny it? A. A man cannot deny something he does not know.

THE CHAIRMAN: I understood from Mr. Jeffrey that the Hydro were by no means their largest customer in Canada?

A. Yes.

Q. And that more than half of their business is export business? A. That is what they advise us.

Q. I am sorry there is no one here to speak for them?

A. I asked your representative if he would have them or would arrange to have them here and he said it was out of their jurisdiction, and I sent a letter. Would you like me to read the letter?

Q. No, Mr. Ross saw them in Montreal and asked them to come here? A. I asked them in a letter if they would have a representative here in person, and failing to do so, if they would write a letter explaining why they located their plant where they did.

THE CHAIRMAN: Yes, I have a letter from them this morning.

MR.JEFFREY: They advised us they wished to make an extension of their plant. Their plant in Montreal is located in a district where it is practically impossible for them economically to get sufficient room for extensions which they want to make. For that reason and other reasons which I do not recall they said they wished to leave Montreal and get some other location for their plant, and during this period and for several months after their first application, their representatives were making investigations to determine the best location for the plant. They visited a large number of towns in the West, and finally they advised us they had decided to locate either in Cornwall or Brockville. It apparently narrowed down to these two places. They asked for a rating of power in Brookville and Cornwall and they were given a rate in Cornwall for 44,000 volt power.

TO THE CHAIRMAN:

Q. Is that in your letter of April 8th? A. That is in our letter of April 8th. For delivery at Brockville for demands between 1100 and 2500 h.p. at 44,000 volts, $35 per h.p. per year. For demands for 2500 h.p. at 45,000 volts $31 per h.p. per year. For delivery at Cornwall for demands between 1100 and 2500 at 20,000 to 44,000 volts, $27 per h.p. or for demands over 2500 h.p. at 26,000 to 44,000 volts, $26 per h.p.

Q. For what you quoted them $35 in Brockville, you quoted them $27 in Cornwall? A. Exactly.

Q. What you quoted at $31 in Brockville, you quoted at $26 in Cornwall? A. That is right.

Q. Were these the first quotations you made to the company?

A. These were the first quotations. These rates were based as rates to municipalities having contracts with the Commission on a 30 year basis, that is, that while the company's contract is for ten years, the rates were calculated on a 30 year basis, figuring that the company would not operate for ten years only, but being a good substantial industry would carry on indefinitely.

Q. You do not say that it is given on a 30 year basis?

A. Not in the letter; however, that was the basis.

Q. You state that you require them to supply bonds? A. Yes.

Q. For delivery in Cornwall? A. Yes.

Q. There was no provision for a bond being given if they located at Brockville? A. There is a bond which the Company has signed in connection with their power delivered at Brockville.

Q. For what purpose? A. To cover any losses which may accrue or occur should the company not carry out the terms of its agreement.

Q. In this letter you say a bond will be required if they locate at Cornwall, but you do not require a bond if they locate at Brockville? A. I want to explain that. At the time the rate was given to the company, it was quoted to Brockville with the understanding that the contract would be made between the municipality of Brockville and the Company.

Q. They were to locate within the limits of Brockville?

A. Yes, we expected within the limits, and they would be supplied direct by the municipality of Brockville, and the contract would be made with Brockville direct. Under these conditions they would be taking power direct from Brockville

and under the Municipal Act if they failed to carry out the terms of their contract, the arrears could be collected in taxes. It is a lien on their property so that a bond was not necessary. In Cornwall, the contract would be made direct with the Commission.

Q. You would have a lien in that case? A. We have no lien on any company other than through the courts, just the same as any other organization of the same kind.

Q. Don't you claim preference over other creditors?

A. No preference whatever.

Q. I thought you had been doing that recently in Port Arthur?

A. No preference. That action at Port Arthur is with the town. That is not with us.

Q. We were told the other day there was a lien in the Nipigon case? A. They are inside the town and they did not pay their power bills, and therefore the town is trying to collect, the same as they would in Brockville.

Q. Was not there something said about your having a lien in the Nipigon Fibre Company case for arrears? A. We have a bond with them.

TO COMMISSIONER HANEY:

Q. Beyond the bond? A. We have a bond for $40,000, and we can come in for our share of whatever can be claimed from the company, and if they went into liquidation we could sue in the courts for the balance of the amount.

Q. At the time you were negotiating with the Eugene Phillips Company, what rates were you charging Brockville?

A. $55 per h.p. is what they were being billed at.

Q. They were not in a position to make a contract direct

with the Phillips Company at the rates you were giving?

A. Not at these rates,but with the increased load at the Brockville end,their cost of power would drop very materially,and that is about what it would cost.

Q. So that Brockville could have made a contract at these rates and still be within the cost of power? A. Yes.

TO THE CHAIRMAN:

Q. Finally when they did go to Brockville,you required a bond? A. I was going to explain that. When these rates were given first,the understanding was that the company would sign a contract direct with the municipality of Brockville, but in Cornwall such could not be the case as Cornwall was not a partner in the Hydro scheme and did not take any of the obligations,and therefore the contract must be direct with the Hydro Commission of Ontario. I explained that to the council at the meeting of January 22nd.

Q. It was not to be located in Cornwall? A. Even if it had been,it would be just the same - there would be no difference whatever.

TO COMMISSIONER HANEY:

Q. If Cornwall had made a request,would you have sold this power to Cornwall and allowed them to re-sell it if they were not in the Hydro System? A. The Act does not permit us to sell to any municipality unless they have a contract with us under the Power Commission Act. It cannot be done.

Q. You could not do it in that way if they requested it?

A. We could not do it,and that was explained to them.

TO THE CHAIRMAN:

Q. You spoke just now of the affect on the rates in Brockville through the Eugene Phillips people coming there - that

it would materially reduce the rates. Did you make any promise to reduce the rates if the Eugene Phillips people went there? A. I do not recollect any promise being made, except they would undoubtedly have been told that the increased load would reduce the cost, and therefore the rates would be reduced.

Q. Has any reduction yet been made? A. No reduction has been made.

Q. What reduction was named to them as likely to take place?

A. As I recall, there was no specific promise made as to what the deduction would be, but it would be cost, and the increased load would reduce the cost.

Q. You are sure a certain amount was not mentioned?

A. I do not recall it.

TO COMMISSIONER HANEY:

Q. You have stated that the use of this amount of additional power would bring the cost down to the price which you gave to the Eugene Phillips Company two years ago? A. Yes.

Q. That has not been done? A. That has not been done.

Q. What is the cost now at Brockville? A. We have not figured out our cost there yet.

Q. How long has the company been using power? A. Only since November 1st; they have only just started in.

Q. Last year or this year? A. This year. They are not using by any means the amount at which the estimate is based, and until their plant gets underway and the amount of power which they use increases to the amount on which the estimates were based, then the rates will not maintain, and it may take a few months. The company is gradually transferring its plant without stopping their operations, from

Montreal to Brockville, but they have not got it all transferred yet.

TO THE CHAIRMAN:

Q. Is their plant located within the municipality of Brockville? A. I understand so, and the Mayor of Brockville is here. The site was arranged for immediately adjoining the town which I understand was taken in and became part of the town.

Q. Under what circumstances and for what reason was this bond required in Brockville? A. The company required a large block of power at high tension voltage. The present sub-station supplying Brockville is in the eastern part of the town; the high tension transformer line has to go through the town and past a sub-station to the company's sub-station, so that if we were to supply high tension power to the town at one station and high tension power to the company at another at different voltages - the company's power is on a low voltage - we would have to make some arrangement to measure that power - one at high and the other at low tension, and it would have to be somewhere where the tap is taken off the line. The town came to us and said: "This is a very big load, and it is going to mean a complicated question as regards metering, and we feel it is a little too bgg for us to handle economically, and we would like you to make the contract direct with the company and supply them direct with high tension power instead of having the contract direct with us." That was put before the Commission and the Commission conceded to Brockville's request, and the contract was made with the company. Therefore, we had to get

a bond with the company to cover any loss that might accrue in case they did not carry out the terms of their contract.

Q. If they make a direct contract with you, has the municipality the right to get the benefit of the increased sale in reduction of its own rates? A. It would automatically come to them, and they would be entitled.

Q. That would be at your discretion; you would not be under any legal obligation? A. Yes, the company's load being located on the Brockville line, therefore shares part of the use of the line to Brockville, and therefore it will automatically cut the cost of power to Brockville by sharing part of the cost of the line, and any other customer that may be on the line. It will help all the other municipalities being supplied with power from that line, the Company being at the end of the line.

TO THE CHAIRMAN:

Q. The agreement with the company was not made on a cost basis; it was a flat rate? A. A flat rate. The price, however, was fixed on a cost basis, and it was also fixed on a 30 year basis being in Brockville.

Q. Who pays for the cost of the transmission line to this factory? A. The Commission.

Q. How long was it? A. I might say that the line from Cornwall to Brockville is something over 60 miles - 62 or 63 miles.

Q. A line specially constructed to the company's factory? A. About two or three miles from the depot where the line runs down to the municipal station.

Q. What was the cost of that? A. I could not tell you off hand - between $12000 and $15000 altogether.

TO COMMISSIONER HANEY:

Q. Did you have to build any additional line from the transformer station in Cornwall to Brockville to supply this company? A. No,we did not to supply this company,but to straighten up the whole system.

Q. On account of the company coming on the line,I suppose?

A. It had to come sometime,and the company coming on at this time necessitated increasing the voltage to the line and changing all the insulators,etc.

Q. What would be the additional expense? A. From $26,000 to 44,000 volts - I do not know just exactly what the expense was,but it was around $100,000 including the station.

Q. So that this company coming on the line made it almost obligatory on your part to increase the transmission line or the capacity of the line? A. No,I would not say that. The increase in loads on the lines - not only this line but other loads,the lines were getting up to a point where we would have to change the voltage.

Q. If the Eugene Phillips people had not come on,you would not have made the change? A. We would have deferred the time for making the change.

Q. When you quoted the rate to the Eugene Phillips Company as compared with Cornwall,did you take into account this expense you were going to make? A. It was figured on a cost basis including the changes in the line which have been made.

Q. With the changes in the line and the extensions at Brockville,it amounted to $115,000 or $120,000?

A. It would be approximately that figure.

Q. You estimated all that in fixing the rate? A. That was all included in arriving at the cost on the basis at

which the rate was quoted.

Q. Have you got the estimates that were made at that time?

A. I think they are here.

Q. If you have not got them with you,you will let us have it? A. I will make a note of that. I have the estimates here. The actual cost of 1100 h.p., 44,000 volts, $35.54 per h.p. per year. 25,00 h.p. at 44,000 volts, $30.70.

Q. Have you your own figures for arriving at that amount showing the inclusion of this additional cost you were put to? A. Yes,I have that here. This somewhat summarizes all the details. In making these calculations,the engineer notes all the details,and in submitting his figures,he submits a summary - he does not submit the figures,but I can get the details.

Q. You can give us the figures on which the estimates for Cornwall were based at the same time? A. Yes,I can do that.

TO COMMISSIONER HANEY:

Q. Generally a special consideration is given to Hydro municipalities in favor of municipalities that are not Hydro, in dealing with the cost of power? A. I would not say that special consideration is given,but I will say this,as I explained in connection with this company: If the company wishes a ten year contract for power located in a municipality that is under contract with the Commission - take the case of Cornwall - the company has to base its estimate on a ten year basis,whereas in a Hydro municipality where an industry locates,the rate would be quoted an a 30 year basis instead of a ten year basis,and in that way automatically the rate would be lower.

Q. Could not you quote a rate on a 30 year basis in a non-

Hydro municipality as well as in a Hydro municipality?

A. We could not finance on that basis.

Q. Not if you had a bond? A. You might get a big enough bond, but you would have to get a bond of sufficient size to cover the loss that we would have to pay on a 30 year basis instead of a ten year basis. We could not get a bond of sufficient size to make up the difference - there is no doubt about that.

Q. In competing with a municipality which is not a Hydro municipality - A. You are now getting to a matter of policy which I cannot discuss.

Q. You came down here and discussed the matter? A. No, I came here to discuss facts, not matters of policy. I understood it was a question of facts you wanted, and that is what I am giving you.

Q. That is a question of fact perhaps beyond your knowledge?

A. I have a personal opinion but my personal opinion you do not want.

Q. I should like it very much? A. No, I would not give it to you.

TO THE CHAIRMAN:

Q. We want your opinion? A. Any opinion from an employee or servant of the people would not be effective. You want an opinion from the officials of the municipalities.

Q. As an official of the Hydro I would like your opinion; don't you feel at liberty to give it? A. No, I would not give it.

TO COMMISSIONER R.A.ROSS:

Q. You are going to give us the estimates upon which your decision in this matter was based? A. Yes.

Q. Any differentials that you made have made between the two towns would be reflected there in the figures? If for instance you were differentiating against Cornwall in favor of Brockville, that would show in your figures?

A. It will all appear in these figures if that was a determining factor in the making of the rate.

TO THE CHAIRMAN:

Q. Is that a determining factor in your estimate?

A. You will have to inquire from the Commission in order to get that. If there was any question of difference in connection with rates between Hydro municipalities and non-Hydro municipalities, and if the Commission adopted a policy in this particular case and made a distinction in that way, you will have to get that from them. They can give it to you in three words.

Q. Have you seen any evidence that they have such a policy?

A. I have been connected with the Commission for 11 years, and I have never seen one instance where there was any distinction made between one municipality and another, whether it was Hydro or non-Hydro.

COMMISSIONER R.A.ROSS: You are pretty near the Kingdom of Heaven.

COMMISSIONER HANEY: Was the Hydro Commission or you as representing them interested in the adoption or non-adoption of the bylaw in connection with the extension of the franchise - were you indifferent or neutral?

A. We were opposing it. I am quite frank in stating, and Mr.Stiles will bear me out in what I say, that we were opposed to it in the interest of the people in this town, as we thought.

Q. And the Hydro as well? A. I would not say Hydro; when you say Hydro you mean the municipalities for whom we act as trustees in the St.Lawrence system. It would be of assistance to the other municipalities taking power from the system more or less depending on the location of the load that the company would take.

Q. They were not a customer of Hydro? A. Not with the other municipalities.

Q. Although as a matter of fact they assisted in supplying the money to finance the Hydro for other municipalities?

A. They assisted in financing,you say?

Q. In financing Hydro through the other municipalities?

A. That comes back to the old question against the money advanced by the Government or loaned by the Government for Hydro utilities or Hydro work is merely a loan that is returned to the Government,and the other municipalities being part of the Province only help to advance that money only as being one of the entities of the Province. It is not money given; it is merely a loan - just the same as I might have a mortgage on your house,but I would not own your house. They are merely mortgagees; it is just the same as if you were building a house and wanted to put a mortgage on it.

Q. Never mind the house? A. I advance the money and I am a mortgagee and I assist you to build your house.

Q. They really come in as part of the Province? A. Part of the Province.

Q. And yet you don't feel that you are under any obligation to them because you claim to be trustees for the municipalities that come into the Hydro scheme,although the other municipalities assist in providing the money for you?

A. There is no obligation on the part of the other municipalities that do not come under the scheme.

TO THE CHAIRMAN:

Q. Do you feel especially thankful to your banker when you have paid him his interest? A. No, but he ought to be thankful tome for paying the interest and for being a good customer. We are a good customer and we pay the interest back, and we are under no obligation to the Province.

Q. Is not there a situation here that is inevitably due to geography; you have a transmission line upon which power is to be placed, and it is an advantage to you and to your interest that all the units on that line should have the power placed as far from the generating point as possible?

A. Yes.

Q. So that geographically from your point of view, Brockville had an advantage over Cornwall? A. Yes, in assisting all the municipalities on the system.

TO COMMISSIONER J.A.ROSS:

Q. As a plain business proposition, you are taking care of the business that you have in hand, and you are more interested in such business than you are in potential customers?

A. We must be of necessity.

Q. As to your business proposition, you are taking care of the business you have got? A. We are acting as trustees for the municipalities having contracts with us.

Q. That is your first charge? A. That is our first charge.

TO THE CHAIRMAN:

Q. You spoke of the relation between Non-Hydro municipalities and Hydro municipalities as being mortgagees? A. I meant

the Province.

Q. These municipalities form part of the Province. If you were building a house and somebody came along and said, "I will give you as a loan on that house every cent it has cost you", you would be under a very deep obligation to anybody who would do that. Is not that what the Province is doing for these Hydro municipalities - putting up every copper of the money so that the relation between the Hydro and the Province is rather different from that of the relation between an ordinary borrower and the lender?

A. I would not say so. The more money that is borrowed from the Province to aid industry, the more it will help the Province, and the Province should be pleased not only as a mortgagee but the Province has all the assets of all these municipalities that have signed contracts, and unless all these municipalities go broke and become insolvent, the Province assumes no liability whatever.

Q. Take Nipigon for instance, you charge up the deficits?

A. These municipalities have contracts. Take the Niagara district -

Q. It stands by itself? A. The system stands by itself.

Q. If there is a loss in one system, it is not made up by other systems? A. No, I did not mean to infer that.

Q. It is just the municipalities in the group?

A. The municipalities that have signed contracts to take power on the St. Lawrence System are directly responsible for the expenditure and until these municipalities become insolvent, the Province has no liability whatever. They not only have the plants, but they also have the assets of these municipalities at the back of them.

TO COMMISSIONER R.A.ROSS:

Q. The situation is this: The municipalities want to build a garage and the Government lend the money on the whole house? A. That is exactly it. They get security on more than the garage.

TO THE CHAIRMAN:

Q. He builds the house too? A. He does not build the house out of the money he gets from the mortgagee.

Q. Everything is built with the money secured from the mortgagee, the house, the garage and everything else. It all comes from the Province? A. Carry it farther down - the municipality gives a mortgagee on the plant and its other assets with which the Province has nothing whatever to do.

Q. No, the Province has no claim against the municipality, only the claim that rates may be raised on the people who consume the power? A. That is the same thing.

Q. If they had a bond on the municipality they would have to levy a general rate on everybody in the town. In the case of Nipigon, if the cost of power was levied at cost, it would be so great that you could not sell any power at all?

A. I suppose from a legal aspect you can get an argument on one side or another.

Q. First, the Commission proposed that bonds should be issued by the municipalities and in the event of default being made they would have a claim on the municipalities?

A. In considering this mater you have to consider it from a reasonable standpoint. The question of the cost of power being increased to such a point that the customers would not take it is one in which you have to go along way to imagine.

If you have any faith, as I know you have, in this Province, we know that the Province is not going to become insolvent and the whole thing become like Russia. That is a condition where things would all go to the devil, as I might say. That will never happen in Ontario.

Q. The Province is undertaking the whole obligation - the municipalities are not liable at all to the Government. The Hydro is supposed to sell power at cost, and it does so in nearly every case, but in some cases it is not able to do so, and that is where it falls down, but in no case where there is a default has the Province any claim on the municipality? A. Of course, Mr. Chairman, there is not much use in my arguing with you.

Q. It is not an argument; it is a statement of fact?

A. It is, I think, a matter of opinion.

Q. We decided not to go into matters of opinion?

A. You are giving me yours.

Q. The Statute provides that there should be no bond given by a municipality at all? A. I know.

Q. It is a lien on the work itself? A. Other legal men say otherwise.

Q. I never heard anyone say otherwise. It has been proposed and there have been reasons advanced against it?

A. Of course, Mr. Chairman, before such a thing could happen, as you have said, the whole commercial fabric of this Province must go.

Q. It has happened on the Nipigon? A. You do not want to discuss the Nipigon situation here.

Q. The Province cannot come on Port Arthur? A. There is no use me making a statement with regard to Nipigon because your

report is out and certain statements made, but in your own report - you will pardon me if I mention it -

Q. I am taking your own statement? A. The Port Arthur situation is not a hopeless situation - your own report says that in a very few years there will be sufficient revenue to put everything on a paying basis. All the back deficits are going to be paid off, and your own engineer says - and I think you admit - that they won't have enough power for the district. I think it is a very good situation up there.

Q. At the present time there is a deficit and they cannot claim it from the municipality? A. Except for the Government to carry it in the meantime - not forever as some think.

Q. The mortgagee does not carry property in the meantime, and the Government cannot do that? A. The mortgagee often carries it in the hope that in time it will make more out of it than if he forecloses.

TO COMMISSIONER R.A.ROSS:

Q. The Hydro is the trustee for somebody? A. Yes.

Q. Who is the Hydro trustee for? A. It is appointed by the Government in a dual capacity, as trustee for the municipalities having contracts with it and also acts as trustee for the Government on account of the moneys which is spent by the Government.

Q. It has been appointed by the Government to act as trustee for the municipalities which have contracts with the Government? A. Yes.

Q. Their interest is the first charge on the Commission? A. Yes.

TO THE CHAIRMAN:

Q. I notice a report in the paper of a speech you made at Cornwall in regard to the question as to whether Cornwall should go in or not. That speech was delivered in December,1919? A. Where did the report of the speech appear?

Q. In the Cornwall paper,and you said Cornwall would be a parasite if it did not come into the St.Lawrence System?

A. Yes,I remember at one of the meetings a gentleman took very strenuous opposition to the word parasite.

Q. It is rather strong? A. I would like to explain the use I intended of the term at the time. I explained it to this gentleman,but I do not think he was satisfied with the explanation. I will explain why I used the word parasite,and perhaps you will see the application of the word,whereas he did not,although he was a lawyer,I believe.

MR.STILES: No,he was a merchant.

MR.JEFFREY: I did not intend any reflection on the lawyers. I do not understand what Webster's meaning of the word parasite is.

Q. Perhaps you had better look it up? A. Parasite is not a word used in disrespect. Parasite is something which subsists on the energies or subsists on others without any energy on the part of itself.

Q. A parasite gives nothing in return? A. Yes,and I want to explain why I used the word parasite in connection with Cornwall: A number of municipalities on this system have signed contracts and entered into obligations to take power from the Commission. They are under a direct obligation each year. Another municipality comes in and refuses to

sign a contract and very definitely refuses to have anything at all to do with the partnership into which the other municipalities have entered, and under which they receive their power supply. The new municipality expects to reap all the benefits of the co-operative partnership scheme without undertaking any obligations on its own part or entering into the partnership to help the other municipalities, and they want the benefit from the other municipalities without any attempt to help out. Therefore that municipality is a parasite.

TO COMMISSIONER HANEY:

Q. Except in the original supply, you are acing as trustee for two parts: the Province in connection with the moneys advanced by them and the other municipalities which entered into the contract; don't the municipalities that did not enter into the contract deserve consideration?

A. Mr. Haney, the Power Commission is appointed for a specific purpose. Its duties have been enlarged along different lines from year to year, but the specific purpose for which the Power Commission was appointed was to act as trustees for the various municipalities having contracts with the Commission. Under the Act, the Commission was also delegated certain duties, and it was part of the Commission's duty as an off shoot, or secondary duty, to get new municipalities wherever possible to come in, - that is, to help them to come in. While it may not be specifically set out in the Act, yet it is the specific duty of the Commission, if any municipality wants power, to explain to that municipality the benefits, and it is also our duty to assist in making the whole scheme a success.

Q. Is not Hydro selling power to industries independent of the municipalities? A. Yes.

Q. Here is a specific case? A. Yes, and the Hydro Commission were quite willing to sell this company at cost, direct, and they quoted them a rate direct.

Q. For a term of years? A. Yes, for ten years.

TO COMMISSIONER R.A.ROSS:

Q. If you give the same facilitiates and the same accommodation and the same rate to outside municipalities who are not under the Act, how would you have got any municipalities to come in under the Act? A. We would not get them in.

Q. They would remain outside without any liability?

A. Quite right.

TO COMMISSIONER HANEY:

Q. I am speaking of this specific contract here? A. Yes.

TO THE CHAIRMAN:

Q. This was a concern outside the boundaries of Cornwall?

A. Cornwall asked us definitely for rates.

Q. Because they could not deal through Cornwall?

A. No, we advised them they could not.

Q. I cannot see how Cornwall would be a parasite. It was not getting this nourishment? A. They would have been getting it. If we supplied customers in Cornwall and around Cornwall - new industries which Cornwall might get here, they would get the same advantage as thought they had signed a contract.

Q. They might indirectly? A. Directly - not as much as thought they were partners because then they would buy it in blocks and sell it out and get the benefit of diversity, but they would get a benefit.

Q. They did not get any nourishment in this particular case? A. In this particular case unfortunately for them the Eugene Phillips Company decided on Brockville and probably the letter which you have will explain why they went there.

COMMISSIONER J.A.ROSS: What you mean is a customer on your books has no privileged standing as against a prospective customer who is not on your books and who may never be on your books and to whom you have no liability? A. That is practically what it means.

Q. In business terms? A. We are dealing with customers who have contracts with us,but whether the questionof preference on that particular count outside the financial end of it was considered in this particular case,I am unable to say.

COMMISSIONER R.A.ROSS: If you had treated Cornwall on an equality with Brockville,which was one of your charges, this Commission I think would have been investigating your business sanity? A. I would think they would.

COMMISSIONER J.A.ROSS: It is pure business? A. From a sound business standpoint I would say yes.

COMMISSIONER HANEY: Leaving out the obligation you are under to the Province and to the municipalities, does the Hydro system ever provide money? A. Considering the conditions under which the Commission are appointed as trustees.

THE CHAIRMAN: The trustee owes a special duty to the person for whom he acts as trustee? A. Yes,he does.

Q. That is your position? A. Yes.

Q. Go right on, Mr.Jeffrey; perhaps we have been interrupting you a little,but it is the only way we can bring out the different points?

A. Then from April to August we heard nothing of the proposition. We did not know whether the Eugene Phillips people were going to Brockville or Cornwall, and I think it was more or less an uncertainty in these municipalities. The company may have had correspondence with them during that period. But after that we knew nothing. Then in the summer, July, 1921, the local company, or the Sun Life Insurance Company persuaded the local officials to again submit a bylaw which had been defeated some 18 months prior to that, and the bylaw came up again for discussion. I was not here during the discussion on that bylaw but Sir Adam Beck came down and Mr. Gaby came down, and Sir Adam Beck addressed a public meeting explaining the power situation in this district, and the bylaw carried. That is the bylaw to extend the company's franchise.

TO COMMISSIONER HANEY:

Q. Your presence was more effective than Sir Adam Beck's?

A. I suppose it was. I would not like to say it was either. I think possibly the situation was a little more acute.

Q. The people understood it better? A. I think they had been talked to a little more, and possibly they thought it was best to extend the franchise; they must have thought so or they would not have voted for it - and that is their business not ours.

MR. STILES: That is news to us, and we are glad you take that stand now.

COMMISSIONER HANEY: Q. You were not present at this meeting in July? A. No, Sir Adam Beck and Mr. Gaby and Mr. Drewry.

Q. No one else? A. Surtees was here. I do not know who all were here.

Q. Was not Hannigan sent? A. I do not know; I was busy on other work and I did not keep any close touch with the matter.

Q. Was Mr.Drewry here at that meeting? A. Yes.

Q. He would know who were present? A. Yes.

Q. Is Hannigan a representative of the Hydro Commission and subject to its direction? A. I do not know whether at that time Hannigan was an employee of the Commission.

TO COMMISSIONER HANEY:

Q. Is he now? A. Part of his time,I believe,is employed with the Hydro Commission in connection with cleaning up difficulties regarding right of way and matters of that nature Just what his duties are,I do not know.

TO COMMISSIONER J.A.ROSS:

Q. Is he paid by the Commission? A. He is,I understand, on a commission basis really.

Q. In part or all? A. That I am not sure,I can find out. I do not come in contact with him very much.

TO THE CHAIRMAN:

Q. He addresses meetings where votes are to be taken?

A. Yes, his main activities have been in connection with radial railway meetings. He has attended a number of these meetings when he was working with the railway organization.

Q. He has been working lately in the Niagara District?

A. Yes,I believe so.

THE CHAIRMAN: Perhaps Mr.Drewry can tell us who sent for Mr.Hannigan at that time.

MR.DREWRY: I am sorry I cannot. I believe he represented the Municipal Association and he was down here in the interest of that Association.

Q. When he comes down in a case like that, who pays for his time and expenses? A. I do not know but I think that Association. I have knowledge that he is secretary of that Association and that he has special duties in that Association in promoting the Hydro throughout the Province, whether he was acting in that function down here or not, I could not say. I know he was represented here as an official of that Association.

Q. I think there is a telegram from Mr.Fallon asking the Commission to send down Mr.Hannigan? A. Yes, that is right; I think we have a minute of that, and then there would be a telegram from the Commission to Mr.Hannigan to appear here.

Q. Have you got that here? A. No, I do not think I have.

MR.JEFFREY: Between April of 1921 and August of 1921 there was a lull in the negotiations. We did not know what was happening. I asked Mr.Drewry on several occasions if there was anything new in connection with the Eugene Phillips Company and he said he did not know, and I did not know what negotiations were being carried on or what investigations, during the summer of 1921 in connection with their decision as to where they would locate. On August 20, we received a letter from the Eugene Phillips Company asking for a proposal for a power supply at Cornwall, setting out various conditions.

TO THE CHAIRMAN:

Q. I notice in that letter that they submitted to you a draft of contract for a supply of power requesting you to

submit to them a contract for a supply of power at Cornwall?

A. Yes.

Q. Had the Eugene Phillips Company decided to come to Cornwall at that time? A. That we do not know.

Q. It possibly might be inferred from the statement, when they asked you to submit a contract for a supply of power at this place? A. You have the letter. You do not want me to read it.

Q. The first paragraph: "Referring to your quotation for power" - that was the proposal you read just now?

A. Yes.

Q. "And following up special discussions on this subject with Mr.Gaby, we would request that you now submit to us a draft of proposed contract for a supply of power at Cornwall".

MR.STILES: We have never seen that letter. They never gave us rates, and anything we got, we got from the Phillips people. We never got anything from the Hydro people at all.

MAYOR CHISHOLM: I continually wrote the Hydro Electric Commission for rates, and I assumed they would reply to their letters and give me honest answers, but they never quoted me a rate at all in comparison with what they quoted to Brockville.

THE CHAIRMAN: They had already quoted a rate?

A. They quoted rates before to our Board of Trade.

THE CHAIRMAN: They quoted a rate to the Eugene Phillips Company.

MAYOR CHISHOLM: They never advised me of that.

MR.STILES: Anything we learned, we learned from the

Eugene Phillips Company.

MR.JEFFREY: We explained to the town that the Company must deal with us. We had not any authority to deal with the town.

MR.STILES: Will Mr.Jeffrey allow me to interject right here. I am afraid the two end members of the Commission are approaching this matter from the standpoint of not knowing the vital facts. When this gentleman was here on February 22nd,1921,he told us at the Town Hall that nobody could get any power in this district except from them,that they had an absolute contract with the people who run this power line through this district by which they were to take care of any increase of power in this district.

THE CHAIRMAN: Who was to do that?

MR.STILES: The Hydro people. So that we were utterly helpless and tied hand and foot,and must deal with them whether we liked it or not. This gentleman who is talking about customers and new business and so on,told us that. The Town of Cornwall hasnever yet been asked to vote on the principle of whether we will be a Hydro town or not - never. Don't forget that that question has never been submitted to our people,and we are perfectly friendly with the Hydro people,but we were told by this gentleman that we could get no power except through them,and to get these industries we must have power. Therefore we were negotiating with them.

COMMISSIONER R.A.ROSS: I do not know why you are connecting the two commissioners at the end?

MR.STILES: You are business men and you treat all these people from Brockville as customers. Cornwall has been

a prospective customer. These people are trustees for the municipalities, and they are doing business at cost.

COMMISSIONER R.A.ROSS: There is an arrangement between the Hydro and the people from whom they buy power, that the people from whom they buy power shall not sell outside themselves. We are perfectly aware of that.

MR.STILES: That is said to be so, but we believe it is not so.

MR.JEFFREY: When I was here on February 22nd, I advised the authorities here that there was, as I understood it, an understanding with the Cedar Rapids Company whereby they would not sell in competition with us in our field, and I told them when I went back to Toronto I would see Mr.Gaby and learn from him definitely whether or not that was correct, and I would write them. This is the letter which I wrote.

MR.STILES: We have that.

MR.JEFFREY: The Commission have not heard it.

COMMISSIONER R.A.ROSS: It is a perfectly good business arrangement.

MR.JEFFREY: This is the letter of February 24th, 1921: "John A.Chisholm, Mayor of Cornwall. Dear Sir: On the return of Mr.Jeffrey to the office, I am informed by him that you are anxious to know the understanding between the Commission and the Cedar Rapids Company with regard to the supply of power to your municipality and the district adjoining. I wish to confirm Mr.Jeffrey's statement that there is an understanding between the Commission and the Cedar Rapids Company to the effect that the Commission will take charge of all increases for power in

this district including your municipality, and that the Company will in turn not compete with the Commission. Signed F.A.Gaby, Chief Engineer".

TO THE CHAIRMAN:

Q. Have you got the letter from the company stating that is the understanding on their part? A. No, I have not got that letter.

Q. Is there any such letter? A. I do not know whether there is a letter in existence. Mr.Gaby told me that was the understanding.

TO COMMISSIONER HANEY:

Q. Was there a contract?

MR.STILES: We were told there was a contract.

MR.JEFFREY: You were not told by me there was a contract. I told you my understanding was that there was an understanding.

MR.STILES: Of course we cannot hold this gentleman down. The report was taken at the time, and I think everybody who was here will bear me out.

MR.JEFFREY: If you will pardon me, I am on the stand, and I want to speak and not be interrupted by Mr. Stiles. I want to state in perfect frankness that the newspapers in this town were, through this matter in their reports, very much opposed to any proposition we had to make, and therefore any report which they might make in connection with the matter - I am not saying they would not be true - but of necessity you would expect them to be worded in such language as to give whatever construction they wished to make. I wish that to be understood when the article is read.

MR.STILES: It was simply that it was admitted by Mr.Jeffrey that an agreement had been entered into between the Hydro and the Cedar Rapids Company that they were not to sell power to any industries in this section. The reason I am so positive about the actual wording in Mr.Jeffrey's statement is that I afterwards went to the office of the Hydro Electric Power Commission at Toronto and interviewed Mr.Drewry,and asked him to be good enough to let us have a copy of that contract,and his answer was that he did not consider it was a document that the public was interested in or that I should see.

THE CHAIRMAN: May it be that there is no contract?

MR.JEFFREY: You may call it an understanding or an agreement or whatever you like.

Q. Is there not even a letter? A. My understanding is that there was not even a letter, - just a verbal understanding with the company.

COMMISSIONER HANEY: A gentleman's agreement.

COMMISSIONER R.A.ROSS: There is no statement in the contract with regard to the point you bring up. Had you any other contract? A. No.

Q. If you have any other contract,will you look it up?

A. Our contract is a matter of power supply - that is all.

Q. Everything will be contained in that contract? A. Yes.

Q. I have recently been elevated to the ranks of a business man but I am not a business man - I am an engineer. I would ask you as an engineer if you have ever seen a company which purchased power for use in a district that did not arrange with the company from whom it purchased power that they would not sell to other people in the district. They

would have an understanding of some sort? A. If we were to make a contract with the Cedar Rapids Company for power supply for this district at a price which they fixed, and then the Cedar Rapids were to be allowed to put in another station alongside of ours and undersell us, that would not be very good business on our part to permit such a thing as that.

TO THE CHAIRMAN:

Q. Have you satisfied yourself that there is any agreement in writing between the Hydro and the Cedar Rapids?

A. I am satisfied - I went to Mr. Gaby and he gave me the understanding it was a verbal arrangement - a gentleman's agreement - made with the Company whereby they would not compete in the district with us.

Q. Have the Cedar Rapids also said there is such an agreement and that they are not at liberty to supply any other people? A. I do not know at all as to that. Perhaps they can answer that - I could not tell.

Q. It will appear from that letter of August 20th, that the company had decided to locate in Cornwall and that they asked you for a draft agreement for the supply of power here?

A. They asked the Commission to submit a contract and proposal following up our letter of April 8th, and from this letter one would infer that the company had decided to go to Cornwall, yes, I would take that out of the wording of the letter.

Q. Is there a letter from the Hydro in reply to that letter?

A. There is a letter, and there is a telegram of Sept. 10th, and a letter of September 22nd, and I think you will find a letter of August 26th, and you will find a letter from Mr.

Pope dated August 26th. The whole matter of power supply to Cornwall was reconsidered by the Commission on September 8th.

Q. Why was it reconsidered? A. In view of the changed conditions in connection with the power supply to the Eugene F.Phillips Company. The whole situation had changed since the last estimate was submitted.

Q. In what respect? A. The municipality had extended the franchise of the company and had definitely decided that they would not sign the contract.

Q. The Municipality of Brockville? A. No,Cornwall. They had definitely decided in very definite terms that they would not sign a contract with the Commission and that they would extend the local company's franchise and continue to take power under the then existing conditions for that long term of years.

Q. What difference did that make in supplying power at Brockville? A. There may be some misconstruction placed on my statement,and I want to explain it first. The municipality decided to extend the franchise of the local company thereby excluding themselves and any other company from coming into the town and competing. For this reason that in a Town the size of Cornwall you cannot successfully operate two competing systems because the town is not large enough for two competing systems.

Q. Is there just one system here now? A. As I understand, under one management,one distribution system - I believe the Sun Life Company did supply large blocks.

MR.STILES: There are two distributions.

MR.JEFFREY: I do not think they supplied to the same extent as the other company. That makes it worse than ever.

COMMISSIONER R.A.ROSS: Any connection between these two companies,financially or otherwise?

A. One buys power from the other,and I believe they have some interrelation.

Q. It is wirtually one company? A. No,not exactly; they have separate offices,but one buys power from the other and they have a working arrangement. I do not know what it is. There are two companies here now.

Q. Something the same as you have with the Cedar Rapids?

A. They have some understanding. There are two competing companies with long term franchises,thereby cutting out any further competition from a business standpoint.

TO THE CHAIRMAN:

Q. This would be an instance where one company buys power from another and competes for it in the same district?

A. Under a certain understanding,so that the situation,as far as Cornwall is concerned,was changed entirely. The Commission then had to reconsider the basis on which the rates for power supplied to the Eugene Phillips Company would be determined.

TO COMMISSIONER HANEY:

Q. Coming in as a third competitor? A. Yes, it would stand to reason that the Municipality of Cornwall could not enter into the matter of purchasing power and compete with two other companies; it couldnot be done from a financial standpoint - not successfully. We certainly,as far as I can see,would not recommend it.

Q. It would not make any difference in the case of delivering power at Brockville; you gave out the rate to Brockville after that? A.Yes. I am just coming to that. We did not change our rate to Brockville. There was no condition entering into the Cornwall situation which changed the rate to Brockville. We did change the rate to Cornwall, and it was on the basis of a revision of our cost on a ten year basis instead of a 30,and also on the basis of representations made to the Commission by the Brockville delegation that came to the office and protested that it was unfair to their municipality who had assumed all the obligations in connection with the system that a municipality not having a contract nor assuming any of its obligations should be treated on the same basis.

Q. So there was another element in the contract?,

A. There was another element came in,and I think the Brockville men can explain that better than I can,and they can explain what was said to the Commission,and what the Commission said to them. The Mayor of Brockville is here, and he can explain the matter. I believe he was subpoenaed. The Commission re-considered the whole question of power supply,and on the basis of their reconsideration,the Commission submitted the new price to the Eugene Phillips Company in connection with the matter of power supply to the proposed plant at Cornwall,and these new figures were as follows: I will give you the old figures first. The old figures at Cornwall were,up to 2500 h.p., 44,000 volt power, $27 per h.p. per year; for over 2500 h.p. $26 per h.p. per year. The new proposal sent to the company was

1100 h.p. and up to 2500 h.p., $33 per h.p., for 44,000 volt power - a raise of $6 per h.p. per year. For over 2500 h.p. at 44,000 volts, $29 - an increase of $3.

TO THE CHAIRMAN:

Q. Why were these increases made? A. There are several factors entering into these: one was the change of the contract - from 30 years to 10 years.

Q. Why did you make that change? A. I explained that.

Q. Why would not it be the same in the first letter as in the second? A. Because the contract was made with the company at Cornwall or in Cornwall or close to it, direct with the Commission without any contract with Cornwall, but with the contract direct with the Company, and Cornwall taking no part of the obligations in connection with the power supply.

Q. Did any change in that respect occur between April 8th and September 22nd - was not it just as much a ten year contract as before? A. No, I explained to you, in the meantime - up until the time when the franchise bylaw was submitted the second time, we fully expected that at the expiration of the franchise period Cornwall would become a Hydro customer.

Q. You did not make this offer on April 8th subject to that being done? A. We did.

Q. You took your chances upon that? A. We did.

Q. You did not say your first offer was made subject to Cornwall not extending its franchise so that if they had gone on then and the vote had taken place and the franchise had been extended, you would still have to give power at the price you quoted?

A. If we quoted them and signed up a definite contract,yes.

TO COMMISSIONER R.A.ROSS:

Q. You have power to make contracts with industries outside municipalities? You can charge any price you like?

A. Yes.

Q. Within a municipality you have to charge for the power at cost? A. If they handle the power supply we have to supply the power at cost,and if we supply the industry direct within the limits of that municipality,we must get permission of that municipality to do it,and it must be supplied at cost.

Q. This plant being ten miles from Cornwall -

A. As far as the matter of rate is concerned .

Q. You were entitled to charge them whatever the traffic would bear? A. Yes.

TO COMMISSIONER HANEY:

Q. What occurred between April 8th and September 22nd to make the raise in your price of $3 and $6? A. It was the Cornwall bylaw issue and the representations of the other municipalities on the system.

TO THE CHAIRMAN:

Q. Your offer of April 8th was not made on the question of whether the bylaw was passed or not? A. No,it was not stated in the letter.

Q. You made that offer at that time and you were bound to carry it out if they wished to take the power? A. Yes.

Q. Then on September 22nd,you increased it $3 and $6 per h.p. under precisely the same conditions as they were before, in so far as your letter of April 8th is concerned?

A. So far as the letter is concerned,but not in so far as

the conditions.

Q. Mr.Haney asked you just what had taken place in the interval? A. I think I answered that.

Q. When was the vote? A. It was July,1921.

Q. The vote had taken place in the interval? A. Yes.

Q. That was the occasion of the change of rates? A. Yes.

Q. You were holding the club over them? A. No,I would not callit a club. We were simply following out the strict wording of the Act under which we operate as trustees.

Q. If you had told them before the event that you were going to raise it,you would have held the club over them? A. Most certainly.

MR.McLEOD: What is bothering me at the present time iw what had the vote on a franchise in the town of Cornwall to do with an institution that was to be located in the Town/ship of Cornwall? I am proud of our municipality although we are considered a parasite, because we are the biggest takers of power on the St.Lawrence System,not as a municipality but our institutions. This industry was to be located in the Township of Cornwall.

THE CHAIRMAN: You think the Township of Cornwall should not have been prejudiced by some action taken by the Town of Cornwall? A. Exactly; that is my contention.

Q. You were made to suffer? A. We were the goat. The town had certain interest but the institution was to be located in the Township of Cornwall. I do not think that in a domestic question the Hydro should have interferred.

MR.STILES: Mr.McLeod thinks we should be allowed to manage our own business without assistance.

MR.JEFFREY: Little matters like that I do not think are worth talking about.

THE CHAIRMAN: They increased the price of horse-power $5 or $6.

MR.JEFFREY: I think that is about all the story.

THE CHAIRMAN: How far was this proposed factory in the Township of Cornwall from the transformer station?

MR.STILES: Between four and five miles.

MR.JEFFREY: That would be about it. It was at the eastern side of the town, and our station is in the West.

Q. How far was Brockville from the transformer station?

MR.JEFFREY: Something about 60 miles.

Q. How much did you have to pay for power delivered at the transformer station? A. $15 per h.p.

Q. What was the lowest quotation to the company for Cornwall?

A. $33, 1100 and up to 2500; and $29 for power for 2500 delivered at 45,000 volts.

Q. So that you would have a profit of 100%?

A. No, that is not a profit. There is no 100%.

Q. It was double? A. It was double but it was not a profit of 100%. It was an increase of double on account of other charges and on account of having to carry that capital on a ten year basis.

Q. What would be the cost of building this additional line?

A. It would be four or five miles of line.

MR.STILES: It was already built down there. They had another customer on Water Street, within a mile and a half of the proposed site.

MR.JEFFREY: It meant around $20,000 altogether.

Q. From what point would that be? A. From the station to

the factory

Q. Mr.Stiles says there is a line now carried to within a mile or so of this place? A. We would have to put more conductors on and use these poles.

Q. The $20,000 would be the cost of increasing the facilities on that line? A. No,I mean the whole line would cost about that.

Q. You estimate three miles of line in Brockville at $11,000? A. I said $12,000 to $15,000 in Brockville,and I said the whole line here meant about $20,000.

Q. Would that be absolutely a new line? A. Yes,there are about five miles of line, and roughly speaking it would cost about $4,000 a mile.

Q. You would not have been able to use the existing line? A. Yes,we would have to have more conductors on it.

Q. If you used the existing line and just put a new line from the terminal of that to the proposed site,would it cost you altogether $20,000? A. You mean to serve this company? Figuring that the old line was up,it would not have cost that much.

Q. How much would it be - $10,000? A. Depends on where the company's plant was to be located. It was never very definite so I do not know what the total length would be.

MR.STILES: The site was on the French farm.

THE CHAIRMAN: Assuming that was definitely settled,what would be the total cost?

MR.STILES: It is about a mile from the Cornwall Pulp and Paper Company.

MR.JEFFREY: It would be about the same proportion probably between eight and ten thousand dollars altogether,

or running a little more than that.

TO COMMISSIONER HANEY:

Q. To serve the company in Brockville you spent $115,000?

A. No, not by any means. To take care of the increased loads on the St.Lawrence System which expenditure was made at the time the Eugene Phillips Company came on at Brockville we spent approximately $115,000 - but not to serve the company in Brockville.

Q. Was it spent before or after the Eugene Phillips Company came on? A. After. It just happened that we had in mind changing that line and the voltage,for a number of years - two or three years - and we were going to go ahead with it as soon as the opportunity occurred.

Q. As soon as the demand for power increased to justify that? A. Yes,and as soon as labor cost and cost of material dropped so that we could go ahead with it economically.

Q. To what extent has power increased in Brockville outside the Eugene Phillips Company? A. I do not know that I just understand how you want me to answer that.

TO COMMISSIONER HANEY:

Q. To what extent has the Brockville load increased exclusive of the Eugene Phillips Company since you decided to supply the Eugene Phillips Company at Brockville?

A. They were increasing at the rate of 100 h.p. per year in Brockville.

Q. Have they increased at that rate since then?

A. Yes, more than that.

TO COMMISSIONER J.A.ROSS:

Q. You say it cost about $100,000 to make the change to

supply the Eugene Phillips Company and in combination with the rejuvenation of a line that would not serve that municipality as it should be served? A. Exactly.

Q. Can you be more specific as to what part of that $100,000 was necessary to serve Brockville as a municipality? A. I do not know that I can be any more specific than I have been.

Q. Did the line need new poles? A. We had to change the voltage of the line from 20,000 volts to 44,000 volts, and that meant new insulators and cross arms, and there were some new poles, and we put new wire on where we had these new poles, so that there was considerable new construction in connection with that change, and that was necessary not only to give service but also to better serve Prescott and other municipalities.

COMMISSIONER R.A.ROSS: You have been asked to furnish a statement showing how you made up these prices; that will include what you are giving in evidence here now?

A. All the details.

Q. I just think we are wasting time on these figures because we have not got the figures before us.

THE CHAIRMAN: Mr.Jeffrey says there is something not shown in the figures.

A. You can get these from the representatives of Brockville who are here today, and Sir Adam Beck can explain the matter of policy of the Commission on that particular point, and the representatives of Brockville can tell their side of it.

Q. When was the work on the line done? A. This summer.

Q. Beginning when? A. Since the spring opened up.

Q. Is it completed? A. Yes, completed in time to take the

Eugene Phillips load in November.

Q. According to your report for this year, Brockville took 1048 h.p. in October, 1920, and 1058 in the year ending October, 1921 - an increase of about 10 h.p.?

A. I think you will find the average increase in Brockville as being more than 100 h.p. It is over 1200 now.

Q. Did you know the Eugene Phillips Company were coming to Ontario before you heard from Cornwall in February, 1921?

A. No.

Q. Did you or any of the representatives of the Hydro advise the people of Brockville that the Eugene Phillips people were considering coming to Ontario? A. No, Brockville advised us that the Eugene Phillips Company were - their Mayor will be able to tell you that; if you want to be clear on the point - we having heard there was a party applying for power at Brockville, whether we went to Brockville and said; "Here is a company looking for a site, get busy" - we did not do that at all.

Q. Their information did not come through you?

A. To the best of my knowledge, they did not hear from us and we did not know they had gone to Brockville until Brockville came and advised us.

Q. When you made that quotation in April, 1921, you forwarded a copy of it to Mr. Johnston of Brockville?

A. Yes, a copy of our letter to the Eugene Phillips Company would undoubtedly be sent to Brockville.

Q. Did you send the same to the Mayor of Cornwall?

A. No.

Q. Or to anyone here? A. No, we were not dealing with Cornwall; we were dealing with the company direct.

Q. You had been in communication with the Mayor of Brockville? A. Oh,yes.

Q. Was your letter of April 9th ever forwarded to anyone in Brockville? A. I believe not.

Q. Is that all,Mr.Jeffrey? A. Yes,I think that is all in connection with the statement.

MR.GEORGE A.STILES.

I have been asked by the Town of Cornwall and the Board of Trade to make a statement on this subject, to the Commission,for the sake of conciseness and to save time,but before I do so I would like to ask permission of the Commission to ask Mr.Jeffrey several questions to elucidate further the situation.

THE CHAIRMAN: Tell us what you want to ask.

MR.STILES: For instance I would like to ask Mr. Jeffrey if the Howard Smith Paper Mills immediately west of Cornwall are customers of the Hydro Commission?

THE CHAIRMAN: You have heard that,Mr.Jeffrey?

MR.JEFFREY: Yes.

Q. Since when? A. I have a copy of the contract here.

Q. About when? A. About 1919.

MR.STILES: With what initial load?

THE CHAIRMAN: At what initial load? A. I do not know just what their first load was when they came on. The minimum contract,I believe,was 300 h.p.

Q. Do you remember the rate? A. I think it was $37. If you wish I can get the contract.

THE CHAIRMAN: You had better get the contract and be exact; perhaps Mr.Drewry can look it up.

TOMR.STILES:

Q. What was the load that customer was to take in 1921?

A. For 300 h.p. and up to 400 h.p. the rate was $37.75 per h.p. per annum. When the amount of power taken and held in reserve for the customer increases past 400 h.p. the rate for power shall be $34.16 per annum,and when the amount of power increased to 1500 h.p.,the rate of power shall be $27.13 per h.p. per annum.

Q. What rate is the company now on? A. $27.13.

Q. Did the Hydro have a customerin the Town of Cornwall itself in 1920-1921 - the Cornwall Pulp and Paper Company,Limited? A. They had that customer.

TO THE CHAIRMAN:

Q. What was their rate? A. I have just given it to you - $25.

Q. For what load? A. 2,000 h.p.

Q. Was the transmission line built to the Cornwall Pulp and Paper Company's factory,which is just about a mile on this side of the intended location of the Eugene Phillips'Company? A. Yes.

MR.STILES: I would like to ask, Mr.Chairman,if Mr.Jeffrey remembers that in February,1921,the Mayor of Cornwall telephoned to the Hydro Electric Power Commission asking that a representative should be sent here to meet the representatives of the Eugene Phillips Company?

THE CHAIRMAN: You have heard what was said.

MR.JEFFREY: I was here and met them.

MR.STILES: Does Mr.Jeffrey remember that the Mayor of our town telephoned to the Hydro people in Toronto requesting that representatives should be sent here?

A. I do not off hand just recall the conditions under which I came here. I know when I came I not only saw the Mayor and explained the matter to him, but also met representatives of the Eugene Phillips Company, and I know that the officials were quite cognizant of the fact that this company was here and had been negotiating for a site, but it is quite possible that the Mayor asked me to come here and meet them.

TO COMMISSIONER JA. ROSS:

Q. You mean the Hydro officials? A. The officials of the town were quite cognizant of the fact they were here and I believe had been looking for sites, and it is quite possible - although I do not recall at the moment that I was asked to come here and meet the company or whether the company happened to be here when I was here - I am not sure, but I know I met them.

MR. STILES: Does Mr. Jeffrey remember that the Mayor was requested to guarantee the expenses of the representative of the Hydro before one would come down? A. I do not recall that.

Q. I want to direct Mr. Jeffrey's attention to a public meeting held in Cornwall on the 22nd of February. Does Mr. Jeffrey remember that at that meeting he stated any large customer, such as the Eugene Phillips people or the Howard Smith people, coming on this system, would, so far as any revenue is concerned would inure to the benefit of the whole system and not to the benefit of any single municipality? A. I do not recall just how that was explained, Mr. Stiles.

Q. Does Mr.Jeffrey not recollect that he stated to us that it was the practice of the Commission to deal by contract with these large customers and to give the benefit of whatever arose from that contract to the whole system?
A. I may have explained that because that is the practice for the Commission to supply power direct to large customers located in small municipalities who are unable to handle a large customer economically, and in the case of these municipalities the Commission make contracts direct and supply power direct to them, and the profit, if any, from this contract, would accrue and be divided off the whole system.

MR.STILES: That is my recollection.

MR.JEFFREY: But the benefit of the load supplied to any particular company in Cornwall would of course go to Cornwall. It would assist Cornwall in getting power at a cheaper rate.

Q. But the benefit of the reduction in cost would go to the benefit of the whole system, speaking generally?
A. Just the same as it does now in Brockville.

THE CHAIRMAN: Brockville would benefit in profits made out of the Eugene Phillips Company had it been located here? A. It would be split up equitably among all the municipalities on the system.

MR.STILES: Does Mr.Jeffrey recall going with us to the various sites being offered to the Eugene Phillips people and quoting approximate rates at these sites?
A. I remember going to some of the sites, and I also remember talking to the representatives of the Eugene Phillips Company and talking approximate rates.

Q. It was stated by Mr.Jeffrey that in fixing rates - for instance the rates of the 8th of April - that this Commission took into consideration the fact of the length of time for which the money was going to be borrowed, whether ten or thirty years. Is it not a fact that all the money the Hydro borrows is on a 30 year basis no matter whether for a ten year contract? A. It is just possible I may have used that expression,but I am sure it did not confuse you or cause any confusion in the minds of the Commission. The money used in connection with the construction of lines or any work to supply the company was figured on a ten year basis in the last instance,and in the first instance on a thirty year basis.

Q. Is there any difference between the Eugene Phillips Company as a contract customer at Brockville and the Eugene Phillips Company as a contract customer at Cornwall? A. Yes.

Q. I have been unable to appreciate what that difference is? A. Possibly you have not given the matter as much study along that particular line as the Commission have or as I have myself.

Q. The rate at Cornwall would be much less than the rate at Brockville on account of the difference in transmission, and it was on the first quotation? A. I explained that several times and evidently Mr.Stiles did not get it.

Q. Maybe my head is too thick? A. I think you were not here. The Eugene Phillips Company is located in the Town of Brockville at the present time. The Town of Brockville requested the Commission for reasons which I have explained, to make a contract direct with the company instead of

Brockville supplying power to them. In doing so Brockville loses the difference on the diversity between the Eugene Phillips load and the other load in Brockville, and also loses the difference in connection with any profits there may be in connection with the matter of the power supply, - Brockville, being a partner on the St. Lawrence system and the biggest partner and taking the biggest share of the responsibility and being at the other end of the line and taking not only her share but also the share of the line run from Cornwall to Brockville and having a 30 year contract with the Commission and the contract guarantees any loss that there may be or any liabilities there may be in connection with the matter of power supply to this company, - if they were located in Cornwall, the other municipalities on the system would have the responsibility in connection with the matter and Cornwall has no responsibility and no liability whatever.

TO COMMISSIONER HANEY:

Q. Do you get any benefit in connection with diversity in Brockville? A. We will - the system as a whole will because where as we sell them now 1400 h.p. and 1100 h.p. to Eugene Phillips Company, we get paid for 2500 h.p. Whereas if that power was supplied to Brockville and resold to the Eugene Phillips Company, we might only get paid for 2,000 h.p. so that the difference in revenue that we get from the two sources instead of coming from the one, accrues to the system and is allocated to the various municipalities in proportion to their use.

Q. The power supplied the paper company here is continuous power? A. 24 hour power.

Q. They use it? A. Yes.

Q. You have no diversity benefit on that? A. There would be some diversity. Their paper mill load is fairly steady but on part of it there is quite a diversity.

Q. Over the whole system you would have the same diversity benefit if the Eugene Phillips Company was located here as at Brookville? A. As regards the matter of diversity, in connection with the purchase of power from the Cedar Rapids only - but there is the other benefit in the plant being located at the end of a long transmission line over which the majority of the municipalities are supplied.

Q. How is it you sell power to the Pulp company at a lower rate than you offered the Eugene Phillips Company, since they use 24 hour power, and with the Eugene Phillips Company you had a diversity factor? A. The paper company in the first place is located very close to the plant and we needed the load quite badly on the start in order to help us carry out transformer station.

Q. You had a surplus amount of power? A. We had a surplus in capacity.

Q. You could always procure that surplus by getting additional power from the Cedar Rapids? A. We believed we could get additional power from them. At that time it was not so much a matter of surplus power we had for sale as a surplus capacity in the generating station which made the cost per h.p. rather high to the various municipalities on the system.

Q. As a matter of fact you were buying 10,000 h.p. and your customers were not taking 10,000? A. No, we only paid for what we took up to 10,000, but we had transformer

capacity in the station to take care of more power than we were actually using, and we had our building there which would accommodate more equipment than the amount we were supplying, and the more horsepower we supplied from the station, the less the cost of stepping it down.

TO THE CHAIRMAN:

Q. You said you told the Brockville people that when the Eugene Phillips Company would take its full quantity, it might result in a reduction to them of from 55 to 30?

A. $55 now is not the cost to Brockville. It is an interim rate higher than the cost, and the rate is higher than cost ~~xxxxxx~~ in order to clear up amounts which are still owing by Brockville.

Q. I understand that the Eugene Phillips people demand resulted in a reduction to Brockville? A. Not only to Brockville but to others on the line.

Q. It applies to the whole system? A. Yes.

Q. Just as any profit you made out of the plant here would have gone to the whole system? A. Yes.

Q. It is possible the whole system might have benefited to a greater extent from the plant here than at Brockville?

A. You say it is possible, We would have received a larger profit if the Eugene Phillips Company had located here than we will make now when it is located at Brockville - no.

Q. All this expense on the line would hardly be justified and you would have saved all that? A. We would have made probably a greater profit on the contract for power supplied at Cornwall on the actual power purchase. That is, with the Cornwall station going in. But considering the whole system with this load at the other end of the system, it

would be of immensely greater benefit to these municipalities to have the load up there instead of down here, in spite of the small profits or increases that there might have been in actual surplus. The municipalities on the line on the way to Brockville would gain and the gain on the whole system was much more of course with the load located at Brockville.

THE CHAIRMAN: That does not appear clear to me.

COMMISSIONER R.A.ROSS: In the City of Montreal we are customers of a coal mine owned by the Delaware and Hudson, and when there is a shortgage of coal elsewhere, Montreal is well supplied -better supplied than the places immediately adjacent to the coal mine. Why? Because the company not only sells its coal but carries the traffic over its lines, and that is exactly your position?

MR.JEFFREY: Yes.

COMMISSIONER HANEY: You have an additional burden on your investment? A.We have the additional burden which of necessity has had to be made anyway, and this additional load of course helps to carry the charges on that additional investment.

Q. The investment was not necessary immediately?

A. Probably it might have been deferred for another year if Brockville had not hollered too loud about the service, but the rate was based on cost including all its charges on that additional capital.

Q. You do not get much freight for carrying power to Brockville? A. We get the cost and that is all we want.

THE CHAIRMAN: On carrying coal to Montreal, they get the profit.

COMMISSIONER R.A.ROSS: The customers all the way along the line benefit by the reduction in cost.

MR.STILES: We would like to find out from Mr. Jeffrey whether the rate quoted on the 8th of April was a cost rate to Cornwall? A. I would not say whether that was the exact cost rate, but I am going to submit these costs to the Commission and that will show it. There may have been a slight increase over cost added to that on account of it being a long term contract. Usually when we make contracts on the basis of cost, they are figured very close, right down to cost - that is if it is an annual contract, but if we make contracts on ten year basis, we usually increase that a slight amount.

THE CHAIRMAN: I do not see why you should?
A. In order to take care of contingencies which may arise.

MR.STILES: That would seem to be all right. I would like to ask whether or not on the 20th of August, the Hydro Electric Power Commission knew that the Eugene Phillips people had decided to go to Cornwall?
A. I think maybe the files will show that.

GEORGE A.STILES.

In the first place it is necessary in order to get a clear understanding of our situation that you should know that the power which is now being spoken about and referred to is not Hydro power at all. It is generated in the Province of Quebec about 35 miles east of here, by a company called the Cedar Rapids Power Company on the River St.Lawrence, entirely in Canadian territory, and entirely in the Province of Quebec.

By a transmission line these people called the Cedar Rapids Transmission Company, who are by no means a generating company but an entirely different company and controlled by a different group, carry this power to the Town on the other side of the River St. Lawrence nearly opposite Cornwall, called Messena where they have a large aluminium plant. The Cedar Rapids Transmission Company is incorporated by Dominion Charter under a special Act, and under that Act they are entirely within the jurisdiction of the Dominion Board of Railway Commissioners. How far that would go and what it would mean I am not prepared to say. We have been trying for a great while, extending back to 1912, to clarify the power situation in this neighborhood. As you gentlemen are all aware, there has been talk from time to time of developing the St. Lawrence River, and we in Cornwall are within five feet of one of the greatest sources of power, the Long Sault rapids, and we look forward to the time when that power is going to be harnessed and made available, and naturally we expect to benefit from that on account of our proximity to it.

The Cedar Rapids Transmission Company we understand made some sort of contract with the Hydro Electric Power Commission for the supply of power, primarily to take care of the needs of Brockville. We would like to know that there is available a source of power for the supply of large industries, and we have had interviews with the people who control the Cedar Rapids Transmission Company, and we have an assurance from them from time to time that they would provide power if industries loomed up that we could secure. It was always our impression that

there was a contract in writing between the Cedar Rapids people and the Hydro Electric Power Commission, but we knew nothing whatever about any term eliminating competition in this contract until February 22nd, 1921, when Mr. Jeffrey stated at the Town Hall here that there was an agreement - a contract - by which we could not look to anybody for power in this district except the Hydro Electric Power Commission, that they had the Cedar Rapids people tied up by a definite contract. I have tried to get a look at that contract, but Mr. Drewry told me it was not a contract that the Commission considered of public interest. Now I learn from one of the Commissioners that there is a document in existence between these two companies which contains no reference to any such term as we were informed it contained. Now Mr. Jeffrey says he is informed by Mr. Gaby that if any exists it is a sort of understanding, and we would like to know whether that is the case, and I think we are entitled to know.

THE CHAIRMAN: I think Mr. Jeffrey has been clear on that.

MR. STILES: Who are the two gentlemen who have the understanding?

MR. JEFFREY: I think that was necessarily the Commission and the Company.

MR. STILES: The Commission has a number of Commissioners and the Company a number of officials. We would like to know who these two gentlemen are that have the understanding.

THE CHAIRMAN: The two would make it on behalf of their respective organizations. Do you know who it was

made the understanding?

MR.JEFFREY: No,all I know was that we negotiated with the company and our correspondence from the Cedar Rapids Company was sent by Arthur Davies.

Q. Of Pittsburg? A. That is the heading of the letter.

Q. Are you prepared to say this gentleman has agreed with any gentleman on the Hydro Commission that no power shall be sold in this district except to Hydro? A. No,all I told you was that there was an understanding between the Company and the Commission; I can find out who made the understanding.

Q. You will let us know that? A. I will let the Commission know that.

MR.STILES: I would like to ask Mr.Jeffrey to answer that question whether on the 20th of August,the Hydro Electric Power Commission knew definitely that the Eugene Phillips people had decided to come to Cornwall?

MR.JEFFREY: I will just see if I can find out from the letter here. No,we did not know where the Company were going to locate at that date.

Q. When did you first know that they had decided to come to Cornwall? A. The first information that we had was - well,we did not know until we learned definitely from Brockville.

Q. Will you give me the date - about? A. About September 10th.

TO THE CHAIRMAN:

Q. That would be 1921? A.I could not tell you when it was; I think it was in October,1921 before we knew definitely that the company had decided to go to Brockville. In

fact I do not know whether we were ever definitely informed of it until sometime after that.

MR.STILES: I am asking when the Commission knew the Eugene Phillips Company had decided to go to Cornwall? A. We never knew the Company had decided to come to Cornwall. We were never told the Company had decided to come to Cornwall.

TO THE CHAIRMAN:

Q. You were told in that letter? A. You may infer that they had decided - we were never told.

MR.STILES: The Chairman read the letter from Mr.Pope which certainly indicates that.

COMMISSIONER R.A.ROSS: At the date of Mr.Pope's letter you had heard from Cornwall?

MR.STILES: From the Eugene Phillips People - they never heard from us.

We would like to know what was done by the Hydro Electric Commission between the date when Mr.Pope got this letter of the 21st of August and the date when this new rate was quoted in September - between the Brockville Hydro Electric Commission and the Phillips people - to change that decision to go to Cornwall.

THE CHAIRMAN: Can you tell us what took place on your part?

MR.JEFFREY: The matter was considered at two or three Commission meetings at which I was not present, and at least one delegation from Brockville came to Toronto, and interviewed the Commission in connection with the matter. Outside of that I know nothing about it.

TOMR.STILES:

Q. Was it in consequence of the decision of the Commission to assist Brockville to secure this location and take that industry away from Cornwall that the new rate was quoted in September?

THE CHAIRMAN: Did you quote a new rate?

MR.JEFFREY: Are you asking me?

THE CHAIRMAN: I am asking you was that new rate quoted in order to make sure they would go to Brockville?

MR.JEFFREY: I have already explained to you that there is a matter of policy connected there regarding which I cannot reply. Whatever the Commission may have had in mind in connection with this matter, they have not told me, and as I said before I cannot answer that particular question, but I have said that the change in the rates was made on account of two or three different factors which entered into the proposition, one of which was the change from 30 to 10 years, and the other was the protest of the delegation from Brockville, and the Commission dealt with it themselves.

Q. What was the protest of the delegation from Brockville?

A. They are here and they can tell you, I do not know. I did not hear the protect and I cannot speak of it at all.

MR.STILES: To resume our situation here in 1919, the bylaw which was submitted to the Town of Cornwall for the approval of its ratepayers was not by any means the bylaw that was submitted in 1921 - the two bylaws are in existence and can speak for themselves.

THE CHAIRMAN: What is the difference between them?

MR.STILES: They are totally different for this reason: Last year in 1921, we were faced by a road problem which as yet we have only partially solved. It was necessary that we should do some permanent work on our principal street,and one of our difficulties in doing that work was the Street Railway System. There is a general inclination amongst the citizens of the Town of Cornwall to retain our Street Railway System which is owned and operated by the Cornwall Electric Street Railway Light and Power Company,the stock of which is controlled by the Sun Life Insurance Company,the same as the stock of the Stormount Electric Power Company,which is the local company supplying light and gas. These gentlemen of the Hydro Electric Power Commission,including Mr.Jeffrey who came here,opposed the bylaw then being submitted. They told us very frankly that the Hydro Power Commission would advise us not to have anything to do with the Street Railway as a municipal utility. Nevertheless we did not want to lose the Street Railway. We realized that if the Sun Life continued to operate that Street Railway,it would be a decided advantage to the Town of Cornwall,not only from a passenger standpoint but from the standpoint of freight because they switch freight cars from the three railways,the New York Central,the Grand Trunk and the Canadian Pacific to every industry in Cornwall,and they were prepared to put in sidings for the Eugene Phillips Company and do everything in their power to secure the location of that industry in Cornwall,and we had secured that industry until something took place in August,1921 to take that industry away fromus. And we have a complaint

on that score, and we think we have a valid complaint because we consider the activities of the Hydro Electric Power Commission should be confined within the scope laid down for them in the Statute. They are an Association operating for the benefit of the municipalities who wish to come in with them, and Cornwall may wish to come in with the Hydro Electric Power Commission, and in the meantime, not having come in is no reason why the Hydro should go out of its way to injure us.

THE CHAIRMAN: Is not that the reason why the Hydro should go out of its way to help the municipalities that are in with them? A. We do not complain of that providing there is no unjust discrimination.

COMMISSIONER J.A.ROSS: You agree that that is a sound businessproposition? A. I would be surprised if it was otherwise.

MR.JEFFREY: May I ask Mr.Stiles a question? Have you anything in writing to show that the Eugene Phillips Company had decided to come to Cornwall?

MR.STILES: I do not know. Did not you produce a letter that they had written to the Commission?

MR.JEFFREY: I merely mentioned a letter from which you might infer that.

MR.STILES: I understood it was stated this morning by Mr.Jeffrey that he had asked somebody to come here today, and a letter had been written. I have never heard that letter. I would like to read my letter to Mr.Balfour and the reply of November 22nd, 1922.

---Letter read.

THE CHAIRMAN: Here is a letter I received at the Court House this morning. I wish they had acted on Mr. Gaby's suggestion to be present personally, because there is no opportunity for asking any questions in connection with the points that are raised here this morning. This is what they say:

"In connection with the Inquiry being held in Cornwall tomorrow, I may say it was suggested by Mr. R. A. Ross, one of the members of your Commission, that we should have a representative at the meeting to explain the reason of our selecting Brockville in preference to Cornwall for the establishment of a factory.

"After having a number of prospective sites reported on in the Province of Quebec and Ontario, we decided that the most suitable one for our purposes was a very desirable site held by the Sun Life Company just east of the town limits of Cornwall.

"Previous to this we had inspected a site located at the north end of the Town of Brockville, which was not at all suitable for our requirements.

"About the time that we were making the final decision in favor of Cornwall, we were approached by officials of Brockville to know whether it was too late for them to offer a counter-proposition, as they claimed they had a most desirable property on the western limits of their town which could be obtained for approximately the same price as that asked by the Sun Life Company.

I personally inspected the site in question and found that while the property was not as large as the Cornwall property, it had many added attractions - among

which I may mention the fact that the town were prepared to bring their sewerage system into the property and give us fire protection, both of which we would have had to provide at Cornwall.

"There were only two questions left, viz: railway facilities and the cost of power.

"The Brockville property was served by the Canadian National and Grand Trunk, but I was anxious to have service from the Canadian Pacific also, which the town offered to provide in the event of our deciding in their favor.

"As regards the cost of power, you no doubt have the figures before you which show that we are paying $35 per h.p. per annum for 1100 horse power up to 2500 horse power and $31 per h.p. over that amount; while the rate for Cornwall was $33 and $29 respectively.

"Even though the cost of power for Brockville was slightly higher than that offered for Cornwall, after carefully weighing the advantages and disadvantages of the two towns, we decided in favor of Brockville, as the staff of the Company who had visited the town unanimously agreed that Brockville would be a more desirable place from a residential viewpoint. Yours very truly, Lawford Grant, Managing Director".

MR. STILES: It is clear from that that these people had decided to ~~xx~~ come here in August, when Brockville asked to submit a new proposition. I would ask Mr. Jeffrey to explain why it was not until after that request by Brockville that the Commission saw fit to revise the rates

upwards as against Cornwall. Was that with the idea of inducing the Eugene Phillips Company to settle in Brockville?

MR.JEFFREY: I have already answered that question three or four times.

Q. Then I will take it that if the bylaw voted on in Cornwall in July had been defeated,the Cornwall rate would not have been changed because the Eugene Phillips people would have come to Cornwall?

THE CHAIRMAN: That might be the conclusion.

MR.STILES: Is that a fair inference?

MR.JEFFREY: You would have to take that up with the Commission. That involves another matter of policy.

THE CHAIRMAN: We will have to draw our own conclusions on that.

MR.STILES: What we say is this: Our local position in Cornwall has been conceded by the gentlemen of the Hydro Electric Power Commission to be unique in Ontario on account of the fact that,in the first place,we have various sources of power to which we might have recourse,providing this understanding does not exist,and in view of the fact that we have the expectation of getting service probably from the cheapest possible source of power right at our doors here - the Long Sault Rapids when they are developed - and also on account of the fact that we have a company serving us in three directions, with gas,electric light and street railway,which the Hydro Electric Power Commission frankly tell us they would not undertake to do and that they would not have anything to do with the gas or street railway. But the people of the Town of Cornwall are not prepared to lose either the gas or the street railway. We were

informed by these gentlemen that the rates quoted to us by the local company were fair rates,although on one occasion Mr.Jeffrey said the Hydro Electric Power Commission could give us rates 25% cheaper yet,notwithstanding - he told us in the campaign and Sir Adam Beck also told us - that the rates quoted by the local company were fair rates. I think I can say without fear of contrddiction that the rates we are now getting from the Local Company are lower rates than any town in the St.Lawrence Hydro System is getting, so that we are not able to see any particular reason why we should become a Hydro town at the moment. But I want to emphasize what I said before,that the bald question of our going into the Hydro System has never been presented to the people of the Town of Cornwall and never been decided by them;notwithstanding what Mr.Jeffrey might say it has never been voted on at all. We did make a bargain last year with the Sun Life people by which they agreed to spend a large sum of money in the Town of Cornwall in the rehabilitation of their street railway and electric light plant and in constructing a permanent highway on Pitt Street. I remember well one of the principal points of contention was the construction of a sunken curb to separate the street railway from the rest of the road. It was no part of the duty of the Sun Life people to build a sunken curb,and yet the representatives of the town got the Sun Life to build that sunken curb so as to get rid of the danger which vibration would cause to the roadway. These local companies have nothing whatever from us so far as anything the Hydro people are interested in except a franchise to light our streets - that is all

they have. They have no exclusive franchise in the Town of Cornwall. The St.Lawrence Power Company may come in here and operate their system and the Hydro people can come in here and operate;any independent company may operate here,but we do agree to buy light to light are streets from the Stormount Electric Light and Power Company at the rate of $9.00 per 100 watt lamp per year. I would like the municipalities on the St.Lawrence System to compare their street lighting system with ours,and if any of them can touch it,we would like to know which municipality does. I am not saying this with any idea of indicating to the Commission that we are opposed to the Hydro Electric Power Commission,nothing of the sort. There are some things about the Hydro Electric Power Commission that some of our residents do not like. We consider their methods of construction,particularly in this district,have been of the most wasteful kind,that there has been an absolute waste of money in the construction of their transformer station,their residences and in their construction of the lines. Whether this is always so in public enterprises or not,I do not know,but I do know that as a fact with regard to these things,and I believe the people who are in the St.Lawrence System are more loaded with Hydro charges for power and light than they otherwise would have been if these things had been constructed by private enterprises.

TO MR.JEFFREY:

Q. On what figures do you base that statement? A. I do not base it on figures at all. I base it on my own observation and the observation of men interested financially

in the Howard Smith Paper Mills.

MR.JEFFREY: What experience have you had that would make you a judge?

MR.STILES: I can tell when men are working,and I can tell when a man comes down to a summer resort in a motor car at your expense night after night,and charges that up on your bill.

Q. Do you know whether his motor car was a car belonging to the Commission?

A. It was not; it was a motor car hired by him in the Town of Cornwall and paid for by the Commission,and I know that his bill ran over $2400 in one year. I am not making this statement recklessly; I am making statements about what I know. I am not blaming Mr.Jeffrey or Mr.Drewry or the Commission because lots of people hold the view that you cannot do business by a public service corporation as cheaply as you can by a private corporation.

THE CHAIRMAN: If your statements are so that they are capable of proof,you should prove them.

MR.JEFFREY: And we ask Mr.Stiles to prove them.

MR.STILES: I can call attention to one matter, and that is the unloading of a car of material at the Howard Smith Paper Mills; there was considerable discussion between the Howard Smith people and these people about that because it cost three hundred and some odd dollars to unload a car of material. If we had the officials of the Howard Smith Paper Mills here we could speak as to that,but I am only making a general statement: that in reference to the construction,costs in this district have been too high.

MR.JEFFREY: There have been a lot of statements made by different parties before this Royal Commission about costs,and they are usually preceded with these words: "I understand" - "I believe" - "I have heard" - "Somebody told me that so and so is a fact".

MR.STILES: I did not make the statements in that way.

MR.JEFFREY: You are no exception to that.

MR.STILES: I didhot make the statement in that way at all. I am stating that these are facts.

MR.JEFFREY: Then prove your facts.

MR.STILES: If the Commission will resolve itself into an inquiry like that,I am prepared to prove.

MR.JEFFREY: You are making a broad statement that the whole construction work has been wasteful and costly.

MR.STILES: No,I have not made that statement.

MR.JEFFREY: I will ask the Chairman to state his understanding of what you said.

THE CHAIRMAN: My understanding is that there have been flagrant cases of wastefulness. I think you should give us the name of the person who charged $2400 in one year for the expenses of an auto,and then we can have that man examined.

MR.STILES: His name was Stewart.

THE CHAIRMAN: What was he doing here.

MR.McLEOD: George Stewart. I think he was a right of way purchaser.

MR.JEFFREY: Stewart was a right of way purchaser, and he had to run out and arrange for purchases of right

in connection with the transmission line, and he had to have transportation to and fro from these farms, and that is where the automobile was used.

THE CHAIRMAN: Anyone running around the country would require a car.

MR. STILES: I object to a car for that purpose being used to run to a summer resort.

THE CHAIRMAN: That was where he lived.

MR. STILES: He was enjoying himself there.

COMMISSIONER R.A. ROSS: On your own showing you are happy indeed here, and you can secure alower rate than anyone else - why are you kicking?

MR. STILES: We are kicking on account of this understanding.

COMMISSIONER R.A. ROSS: Have you ever applied to the Railway Commissioners who have jurisdiction in the matter? A. No.

Q. Why not? A. Because there has been no occasion for it; we are only getting the facts now.

Q. Why don't you apply to them? A. You see we are trying to get the facts. I have gone so far as to say we want to know now who the two gentlemen are who have the understanding.

Q. Have you a shortage of power here?

A. No, we have no shortage of power; we have plenty of power.

Q. What standing would you have before the Railway Board?

A. We are dealing with a questionof policy on the part of the Hydro Power Commission.

COMMISSIONER R.A. ROSS: Where are you in the picture with regard to the policy of the Hydro Electric Power Commission?

MR.STILES: We are in the picture to this extent: If it is true that the Hydro Electric Power Commission have charge of the whole power in this district, then our hands are not very free on the power situation, and we thought they were.

Q. Then I think you may assume that is true? A. Then we object to that.

Q. You cannot? A. We do object to it, and we object to it forcibly.

Q. You are happy in your present position? A. Not at all. We are insisting that there shall be free and open competition in power matters in this district. Sir Adam Beck came in and told us the Hydro Electric was a benevolent monopoly. We do not want a monopoly, benevolent or otherwise. We want competition, and we do not want to be stiffled by the Hydro Electric Power Commission or anybody else.

Q. Apparently you want a benevolent monopoly that will be at your service, and you want it without charge.

A. Not at all. If the Hydro Electric can sell power to the Howard Smith Paper Mills without reference to the Town of Cornwall and to the Pulp and Paper Company without any reference to the Town, and if they can sell to the Eugene Phillips Company on the French farm without any reference to the Town of Cornwall, then no result of any election in the Town of Cornwall in July, 1921 has any right to change the policy of the Hydro Electric Power Commission and to take that industry away from the Town of Cornwall.

THE CHAIRMAN: That has not been shown so far.

MR.STILES: I think it is a fair inference.

COMMISSIONER R.A.ROSS: We have got a direct statement from the company which you entirely ignore, that there decision was not based upon the cost of power here. More than that,on the first quotation they got railway facilities,sewers,waterworks and fire protection.

MR.STILES: The railway facilities were all here and the only thing that was not here was the sewerage and fire protection.

COMMISSIONER R.A.ROSS: What about the C.P.R.

MR.STILES: That is here and also the Grand Trunk and the New York Central.

COMMISSIONER R.A.ROSS: A stub end line of the C.P.R.

MR.STILES: The service is as good as anywhere else. Now you see our position: we cannot supply an industry like the Eugene Phillips Company 2500 from any existing source of supply except this transmission line running north of the town,and these people say,"You cannot get it from there; you can only get it from us,and we have a contract to that affect". Mr. Jeffrey says,"We have an understanding to that affect",and when you come across the contract between these people you find it contains no reference to any such thing as that. If there is anything between these people,and if there is only a verbal understanding,and if we cannot get the facts if a similar situation arises to the one in connection with the Eugene Phillips Company, we will quickly make application to the Board of Railway Commissioners to get that understanding knocked out. Of course,we are going to have

it confirmed that there is such an understanding, and we say the Hydro Electric Power Commission must know.

COMMISSIONER J.A.ROSS: You do not want Hydro?

A. We do not say so.

Q. You have said so in effect? A. We say we do not want the Hydro now.

Q. You are perfectly satisfied with what you have? A. Yes.

Q. You do not want Hydro and you do not want to be their partner? A. That is correct.

Q. Whatever there is good or bad in their position, you do not want it? A. That is right. If there was a duplicate situation, and another company came along here requiring power, we do not want the Hydro Commission to interfere as between us or any other municipality, whether on their system or not, to the extent of quoting an unfair rate, and that is all we ask.

TO THE CHAIRMAN:

Q. To what extent would this understanding, if it exists, bind the companies? A. It would not bind them at all.

Q. Supposing there is such an understanding and they wish to carry it out in goodfaith, to what extent would that bind companies? Are there any other companies here that would be affected by that? A. The St.Lawrence Company is here, but it is a subsidiary of the Cedar Rapids Transmission Company; the stock is owned by practically the same people.

Q. Would that company be bound by an understanding such as you have referred to? A. I do not know that they would be bound by it; they probably would live up to it.

Q. Supposing there is no arrangement at all, how would you

be disadvantaged? A. We would go to the Cedar Rapids people and say, "We want 1100 h.p. for the Eugene Phillips Company.

Q. You would pay for it? A. Yes, we can get it for $23 or $24.

Q. Who would build the line? A. The Cedar Rapids people. That would be a matter of contract between them and their new customer.

Q. The cost of this line would be in your bill?

A. No, I do not think we would have anything to do with it.

Q. It would be somewhere in the bill? A. Yes.

TO COMMISSIONER J.A.ROSS:

Q. Somebody would have to pay for the transmission line; the Cedar Rapids Company are not philanthropists? A. No, we are not looking for any philanthropy; all we ask is our plain rights.

TO THE CHAIRMAN:

Q. If any other company came along and wanted to put up a plant, supposing this understanding exists, would they be hampered in the same way? A. They might be, and that is just what we are afraid of; that is the very thing we do not want to have happen again.

Q. Could not this new company have got power from the stormount and St.Lawrence Company? A. Not in sufficient quantities. We can get power up to 1,000 horsepower, but not sufficient quantities.

Q. So that the Hydro can practically bar you now from getting power? A. That is the situation exactly.

TO COMMISSIONER R.A.ROSS:

Q. Supposing you made a contract with the Cedar Rapids

Power Company in a free market, you would not expect to get a cheaper rate than the Hydro? A. We would be glad if they would sell it to us at $15.

Q. You would have to transmit it over a line built solely for that purpose? A. Yes.

MR.JEFFREY: This is a 110,000 volt line.

COMMISSIONER R.A.ROSS: You would expect to receive it cheaper than the Hydro. You are barred out by the nature of the situation economically? A. I should think we could do it quite easily. Since these people built an expensive transformer station on the south side of the Provincial Highway west of the town, the Cedar Rapids Transmission Company or the St.Lawrence Power Company have built themselves a transmission station on the north side of the highway, and I will guarantee they did it at a fraction of the cost of what the Hydro did. It may not be of as large a capacity, but I will venture to say they did it at a fraction of the cost.

COMMISSIONER R.A.ROSS: We have been going up and down this country looking up these stories, and we are getting pretty well fed up with them. We have had stories of all kinds; somebody says this and somebody says that, and just as Mr.Jeffrey says, if you have any facts to substantiate these statements, for Heaven's sake produce them, because we are absolutely fed up with ghost stories of that kind.

MR.STILES: I am not accustomed to have what I describe as a ghost story. I do not know anything about the question of cost - that was on the side - but what we are interested in is what happened in connection with

this Eugene Phillips Company and what the situation is with reference to a supply of power.

COMMISSIONER R.A.ROSS: You are reflecting in that aside upon their property.

MR.STILES: I think their property is my property. I am not reflecting on it. I think they have a good installation,and I think they have a good transmission line.

COMMISSIONER R.A.ROSS: Not from what you have told us today. This is the first we have heard of any glorification of Hydro.

MR.STILES: If anybody can point out to me where I said they did not build well or that their work was not good,I will be surprised. What I did say was that I thought they paid more for what they got than it was worth,and I do not restrict that statement either.

THE CHAIRMAN: I think where you mention these charges against them,you should bring forward some tangible evidence to support them.

MR.STILES: I would have to go out and subpoena witnesses,and I would be very glad to do so.

THE CHAIRMAN: Of course we cannot pass on anything with such limited evidence as we have before us.

MR.STILES: The only reason I referred to this was that Mr.Jeffrey would have it appear that the result of the vote here in July,1921, was a selection between Hydro and the local company. We do not regard it in that way at all; we regard it simply as a choice as to whether or not we were going to do business with the local company, on a street lighting franchise which they have from us,and

the paving scheme where they have to pave between the rails and 18 inches on each side of the rails.

TO COMMISSIONER HANEY:

Q. Did the Hydro people advise you in connection with your street railway? A. No, but they did say they would not have anything to do with our street railway because, as you know, a street railway in a town of ten or twelve thousand people is a rather dangerous thing for anybody to have anything to do with. I think perhaps ours is the sole surviving one in Canada - Oshawa may have one.

Q. Would not they operate it for you? A. No; they advised us against that; they told us quite frankly not to have anything to do with the street railway, and I think quite properly we agreed with them; we do not want to have anything to do with it, but we want it to stay here, and if the Sun Life will operate it we want them to do so.

Q. At a loss? A. I am afraid it is not at a profit.

THE CHAIRMAN: What do you say to Mr. Jeffrey's statement that Hydro is justified in giving a preference to a municipality which is in the system as against a municipality outside? A. I do not put it any higher than Mr. Ross does. I would expect, all things being equal, that they would prefer a municipality in their own system. That does not seem unnatural to me, but I say they should not give an unjust preference or quote an inequitable rate in order to do our municipality or the adjoining municipality of the Township of Cornwall an injustice.

TO COMMISSIONER J.A.ROSS:

Q. Just what do you base that on? You say you do not think they should do you an injustice to take business from you to sell the other municipality that is under the Hydro Power Commission? A. I couple that with the statement made that we cannot get power except from them, and that is the situation that we cannot get power except from them. Then our contention is that all things being equal, by all means let them prefer their own municipality, but don't let them quote a rate which is not an honest rate in order to get an industry in some other municipality. All we ask is equal and fair treatment.

THE CHAIRMAN: Mr.Jeffrey says the most important element in raising the price to Brockville was the vote you took here? A. Yes, and we cannot see how that enters into it at all.

Q. It was done for the purpose of giving Brockville the advantage? A. Yes, exactly, and we complain of that, and we think that is a good ground of complaint.

Q. You do not think they were justified in going so far as they did in helping Brockville? A. No, and besides we say the existing rate to the Howard Smith people and the Pulp Company was lower than the rates they quoted, and there was no necessity for the raise except to help Brockville get this industry away from us.

TO COMMISSIONER R.A.ROSS:

Q. We will have the facts as to the rates when we get the statement, but until we do so, I could not express an opinion.

MR.STILES: It was an arbitrary increase and that was more than we could stomach. His Worship the Mayor is here and members of the Board of Trade to put the facts before you as we know them.

MAYOR CHISHOLM.

TO THE CHAIRMAN:

Q. You are Mayor of Cornwall? A. I am Mayor of Cornwall for this year and was Mayor in 1921 and also in 1912. I would like at the very inception of the few remarks I wish to make to you to say, as Mr.Stiles has stated, that never once has the question of whether this municipality of Cornwall would wish to take its energy from the Hydro Electric Power Commission or not come up. I will not emphasize that except to ask you to accept that statement as being an absolute fact.

In the year 1912, the contract existing between the Town of Cornwall and the Stormount Light and Power Company for the lighting of our streets was about expiring. At that time I made inquiry from various experts and found that at the time the only source of power available within striking distance of this town was that from the Stormount Electric Light and Power Company. The Hydro Electric Power Commission was active in Western Ontario and was exerting considerable influence amongst the citizens of Western Ontario, and with the object of making a better bargain with the Stormount Electric Light and Power Company, I communicated with the Hydro Electric Commission. I have not got that file with me; that was in 1912. Mr.Chairman and Gentlemen, at that time I knew that the Hydro Electric

Power Commission could not furnish one ounce of power or one atom of energy in this town or its vicinity,but I wanted to employ the good offices of the Hydro Electric Commission to bring pressure,if necessary,on the Stormount Electric Power Company to give us a good contract. The Hydro Electric Power Commission was the only party with whom I corresponded,and I received excellent advice from one of the Departments at Ottawa as well. The Hydro Electric Power Commission fell in with my idea,and I think on three different occasions they sent two of their very bright young men down here who made examinations more or less cursory of our lighting system and gave me the benefit of their opinions. I invited Sir Adam Beck to come down here to address our people on the Hydro Electric Power System of distributing energy,but he was not able to come. I knew he would not come because they had no power or source of power immediately available in Eastern Ontario at that time. I went up to Toronto and had an interview with Sir Adam Beck for a few moments,and he referred me to his engineer,Mr.Gaby,and from Mr.Gaby I got some suggestions which I considered very excellent in enabling me to negotiate with the Stormout Light and Power Company. I kept the council fully informed,and after considerable negotiations,which were carried on very largely by Mr.Stiles,who was then in the council,and Mr.William Pollock and myself,we were able to make a contract that we as a council considered acceptable to our people. It was certainly better than the previous contract. That contract was voted on,and our people adopted it. That was a

contract for the lighting of our streets for a period of ten years beginning sometime in 1913. I retired from municipal politics at the end of 1912. Mention had been made to you of a vote which was taken in this town in the year 1919 on a bylaw which had as its object the cancellation of the light contract I have just referred to, and the making of anew contract with the Stormount Light and Power Company. Mr.Jeffrey took part in that campaign down here as representing the Hydro Electric Power Commission, and Mr.Stiles and others took part in that election and spoke from the platform. I did not attend any of these meetings. Various parties would speak to me as private individuals, and I finally read the bylaw and I came to the conclusion that the bylaw was one which in the interest of this town, in my judgment, should not be approved of. It promised the town no special advantages whatever, in my judgment, and I felt that there were too many loopholes in it and that it was not a satisfactory bylaw. Having had previous experience with the Stormount Electric Light and Power Company and recollecting quite distinctly the difficulties that myself and other gentlemen had in getting them to make a contract which we thought would be satisfactory, my opinion at that time was that we could make a better bargain with the Stormount Electric Light and Power Company at some time in the future than the one which was then before us in 1919, and I expressed these views to a few of my fellow citizens. One day Mr.J.J.Fallon, whose name has been mentioned here - and he was one of those opposed to the bylaw - invited me

to address a public meeting,and I went down and spoke at that public meeting of my thought of the proposal then before the people,and in any remarks I made publicly or privately I never once thought of the Hydro Electric Commission. That bylaw was adopted by a small majority.

This town is an integral part of the three united Counties of Stormount,Dundas and Glengarry. It is not separate from the adjoining municipalities. Down to about the end of the year 1920,this town alone had been assessed for and had paid a very large amount of money in the shape of taxes for a county road system,and none of that money was being returned to us for road improvement in the Town of Cornwall. Our Reeve and Deputy Reeve at the January Session of the County Council in 1921 were able to implement the efforts made by our previous Reeve, Mr. A.C.Fetterley - formerly Mayor - to have the County Council refund us some of these moneys we had been compelled to expend on the county road system,and finally an arrangement was arrived at,that if Pitt Street running north and south in front of this Court House were paved with a pavement acceptable to the Department of Highways in Toronto and under the supervision and to the satisfaction of the County Road Engineer,we would be refundd a very substantial amount of this money. I then began to make inquiries about various kinds of pavements and found that in order to check the vibration from the cars on the railway,it would be necessary to have a gutter. The street car track was laid only on an ordinary stone foundation of gravel or ballast. Mr.Haney will recognize at once that

that was not the best way to have it, and we were advised by the engineers that unless there was a curb put in to separate the street railway line from our pavement to absorb the vibration of the street cars, our pavement would speedily disintegrate. Negotiations were commenced with the Sun Life Insurance Company which owns the street railway, and they sent representatives here to discuss the whole matter, and gentlemen, the whole situation was discussed, not only for days but for weeks, with representatives of the Sun Life Insurance Company, and a special committee composed of some of the members of the Town Council and the Board of Trade was appointed, and that committee made a draft contract which they thought was satisfactory, and that was submitted to our people, and our people by a substantial majority approved of it. At this stage, let me again repeat what Mr. Stiles has mentioned to you: I have the contract here and I would be very pleased if you would look at it. This contract was ratified by bylaw voted on in July last year, and it is more or less of a contract as far as it concerns the Stormount Electric Light and Power Company for lighting of our streets and fixing the rate for private lighting. It gives a private individual an option of taking his private lighting on meter measurement or on a flat rate. That was one of the terms on which it was submitted to our people, that the Stormount Electric Light and Power Company does not have a monopoly. It also contains a clause that at the end of five years, the town may have an arbitration on the price if they wish to. The Hydro Commission through its spokesman and officers took part in

this fight of ours, and the election which preceded it last July. On whose invitation they came here I do not know. I am speaking as an individual, and I feel that the gentlemen of the Hydro Electric Commission had a right if they wished to, to come down and take part in our election. I hope the time will never come when free discussion will be stiffled no matter where the gentlemen may come from.

THE CHAIRMAN: They were invited here? A. Not by me, but I have serious reasons for believing that they were invited here by possibly Mr.A.C.Fetterley who was at the head of a recently formed Association which called itself the Citizens League.

Q. It was said the Mayor invited Sir Adam Beck to come here? A. I did not.

Q. We have a letter here from Mr.Fetterley inviting him?

A. On the evening of 3rd of July, a deputation of the citizens League composed of Messrs.J.J.Fallon and Mr.Jacob Millar and two or three others came over to my house and said that they had been trying to get Sir Adam Beck to come to our town to address our people and they could not get any definite assurance from him whether he would come or not, and they asked me as Mayor to use my good offices to get Sir Adam down here. I considered it my duty to recognize their request, no matter what my personal feelings might be, and accordingly on the 3rd of July I sent this telegram to Sir Adam Beck, London: "Citizens League cordially invite you to address public meeting here on Wednesday evening next, the 6th inst. Will you please wire if you can accept for that date. Signed J.A.Chisholm". I traced the

wire and found Sir Adam received it;on the 5th July I received this wire from Sir Adam dated Toronto: "Mayor Chisholm,Cornwall: I am pleased to accept the invitation Citizens League to address Public Meeting Wednesday evening July 6th." Sir Adam Beck came here by boat and I went to the wharf and welcomed him as a distinguished citizens of Ontario. I welcomed him on behalf of our citizens. So much for that. Beginning on or about February 6th of that year,while this was going on,I got an invitation from the president of our Board of Trade to attend a meeting of the council of the Board of Trade in his office,and there I heard that there was a possibility of the Eugene Phillips Company coming to Cornwall,and the Board of Trade undertook to communicate with the Phillips people and I was requested as Mayor to try and find out all about the power situation. I accordingly wrote on the 7th of February to Arthur White,the well known hydraulic engineer for many years,in whom I had great confidence, and I wrote to several others,and I wrote to the Secretary of the Hydro Commission at Toronto. On the 14th of February I did not have a reply,and I heard something about Brockville wanting more power,and I phoned Mr.Dobby, Mayor of our adjoining municipality,but he could not remember how much power the Hydro Electric had contracted to give Brockville but was now supplying about 1300 h.p. and Brockville wanted more,but Hydro was unable to furnish it for some reason or other. Brockville was then negotiating to lay a cable across the St.Lawrence and get power from the other side.

TO COMMISSIONER HANEY:

Q. Was Brockville then in the Hydro system?

A. Yes;our town clerk's file will show what if any replies I got from the Hydro people,and I will ask Mr.Harkness to put the whole file before you. In the meantime the Board of Trade had been negotiating with the Phillips people by letter and personal interview,and finally I got word that on a certain date two engineers were coming up from the Phillips Company to look over our situation,and that they wanted to discuss the whole thing with us and to get all the information available. I wrote the Hydro Power Commission telling them this,and I think I wrote them three times giving them the date when these two gentlemen from the Phillips people would be here,and I got no reply. On a certain date before the meeting I phoned the Hydro Electric Power Commission at least five times and could not find Mr.Jeffrey nor Mr.Gaby - could not get anyone to give me any information at all. Finally about five o'clock in the evening a voice answered on behalf of the Hydro Electric Commission stating Mr.Jeffrey would come down if his expenses were paid. I at once guaranteed his expenses,and a few moments afterwards Mr.Jeffrey came on the phone,and I told him what was wanted,and he said he would come down the following day,which he did. He met the two engineers from the Phillips people,and we were together the whole of the day,and they went back to Montreal on the afternoon train,and I invited Mr.Jeffrey to address a meeting of our citizens that evening which he did,and in the course of his address he made the statement to which Mr.Stiles has referred at some length. I told Mr.

Jeffrey I would like to have that statement in writing, and on the 28th of the month I got a letter from Mr. Gaby which has been laid before you. I have said publicly as mayor and I now submit the same statement to you that if an arrangement has been made between the Hydro and the Cedar Rapids Company that one will not compete against the other, I think that stiffles and strangles all competition and is an arrangement or bargain which should not be approved of by anybody or any set of persons or by any Government. I say, further, that if the Hydro Electric Power Commission can be permitted by direct methods to force any municipality to join up with it and take its power, than that is a wrong policy - by which the people of Ontario are compelled to take Hydro power. If the Hydro Power Commission is permitted to force the municipalities to accept its system and if no commission will disapprove of it or if no Government or legislation will disapprove of it, then in the interest of publicity and against all semblance of hyprocisy let the Legislature pass a statute directing that every municipality within striking distance of the Hydro Power Commission's source of supply shall be compelled to take power from it.

The policy of the Town of Cornwall for this year and last year and forever since the Hydro Electric Power Commission has been organized has been this: We desire to get our power as cheaply as possible. We desire competition, and we ask your permission to assist us in keeping alive competition to the end that we may get our power as cheaply as possible whenever we require it and from whatever source

we require it.

One word more: I understood Mr.Jeffrey to say that the Sun Life persuaded the local officials to submit bylaws in July. Sir,I tell you and let me assure the Hydro Electric Power Commission that the SunLife did not persuade the local officials or anyone of them to submit bylaws. The first suggestion of any proposal and the first advance to the Sun Life was made by the Town of Cornwall in the person of the man who is now talking to you,and it was made indirectly. The Sun Life made no proposals to us directly or indirectly. The Sun Life did not persuade the local officials to submit bylaws. The Sun Life exercised no pressure at all,and in the interest of keeping the record clear and particularly for the good fame of this Town of Cornwall,I would ask my friend Mr. Jeffrey to withdraw that impression. That is all I have to say.

MR.JEFFREY: Certainly if any statement I have made is not correct I will withdraw it.

MR.CHISHOLM: I understood my friend Jeffrey to say that the Town had definitely decided it would not make a contract with the Hydro. I again repeat to you that this town has never had the question brought up before it, not once directly nor indirectly has it had it before it. There is nothing at this moment to prevent the Hydro Electric Power Commission furnishing energy to the people of this town if they want to. There is nothing to prevent them coming in and using our streets tomorrow if they wish to do so. We are tied up to nobody except to this extent that

we have made a contract for the lighting of our streets with the Stormount Light and Power Company. What does it all amount to? We have 330 lamps in the town each of 100 watts, for which we pay $9.00 a year. That is the only bargain we have with them, as against Brockville I believe are paying $15 a year. We have no quarrel with the Hydro Electric Power Commission atall. We wish to be in a position where we can use the energy furnished by the Hydro Power Commission in competition with the energy furnished by any other company or corporation or private individual to the end that we will get our energy as our people may require it at the least possible rate, and we do not wish competition to be stiffled.

COMMISSIONER HANEY: In connection with the Eugene Phillips Company, was any special inducement ever made to them to establishhere? A. Yes, the Eugene Phillips Company could have had a free site of as much as 220 acres. The Cornwall Street Railway would be extended to the proposed location which was approximately a mile or so east of the town in the Township of Cornwall, and they asked us in addition to that to furnish them with good pure water for domestic purposes, and we at once agreed to do that. We were able to assist in arranging with the Authorities at Ottawa for a wharf which would be required, and the Eugene Phillips Company spent substantial sums of money in having plans prepared of their proposed building location of their wharf and so forth.

Q. Did they ask for sewers? A. No, they did not further than that the Township of Cornwall offered to give them

exemption from all taxes except school taxes andlocal improvements for ten years.

As far as our Town Council is concerned,we have no quarrel at all with the Town of Brockville because the Eugene Phillips Company went to the Town of Brockville. That is their business. When it comes to a finaly show down, we are not objectingto that at all. We never invited your Commission to come here,but since you are here we are giving you all the information we can,and the facts which have been brought out here are of particular benefit to us,and I thank you for having come here,although we did not ask you to come,as far as that is concerned. But this much has been developed as is shown by your correspondence: we object to the methods of the Hydro Electric Power Commission as revealed before you here today. It has no right to make a contract with the only source of available power in large quantities, secretly and behind the backs and without the knowledge of the municipalities or of individuals who would otherwise be permitted to negotiate for that power. I say that is an unconscionable thing and should not be permitted and will strangle competition and business.

MR.JEFFREY: You state the Hydro Commission had no right to make contracts for power?

MAYOR CHISHOLM: I put it like this: that the Hydro Commission has no right to make contracts such as you have suggested was made in writing or by a gentleman's agreement with the Cedar Rapids Power Company,because it strangles competition. For all I know your Commission may

legally have the right to do it, but it has got no moral right to do it in the interest of the people whom you serve nor in the interest of the Legislature of this Province whose creature you are. It is morally wrong for the Hydro Electric Power Commission to make a contract of that character, and it is doubly wrong to do it secretly and without notice or knowledge of the people who will be affected. If you can make a contract of that kind, which means that they can cut wires leading into a municipality or cut wires leading into factories, if you can do that without reprimand then the sooner we turn over the resources of this Province to the Hydro Electric Power Commission the better. I still believe we have popular Government in this country and that the Hydro Electric Power Commission should serve the purposes for which it was brought into existence.

THE CHAIRMAN: What do you say about the suggestion that the Hydro has the right to give preference to the municipalities which it represents to the extent of even giving lower rates to them than it would to outside municipalities? A. I think no comparison or proper parallel can be made or drawn between what a private company might do with two municipalities each competing for a given enterprise on the one hand and what a public utility such as the Hydro Commission could do. I think as a matter of right and popular policy, the Hydro Electric Power Commission should not be allowed to use its influence to swing the big stick that McLeod spoke of over the heads of a municipality to compel that municipality to join in with it, or swing the big stick over the heads of a corporation

which was doing business with the municipality. It is a public utility and represents all the public whom it does business with, but indirectly as well it represents the public of the Province of Ontario for the reason that you and I and every man in this Province has a direct interest in its operations because our Government endorses its bonds, and I think it has got to keep its skirts clean.

Q. If these municipalities which it represents have undertaken to pay for power at a rate which will bring a return on the investment, should not every facility be given them to make that rate as low as possible; should not they have some consideration? A. I do not object to that at all. Then if a factory located in a municipality not linked up with Hydro and wished to get power, and if the Hydro Power Commission had power available, I think they should furnish with power to that factory in the interest of the people of this Province and charge that factory a sufficient rate to cover costs, and implement the funds of the system out of which that power comes. I would say a marked difference is to be drawn between what the private individual or private corporation would do with a given municipality and what the Hydro should do with that municipality.

Q. Youw would impose a higher standard for the Hydro?

A. I certainly would. I stand here and I tell you, Sir, that I had every confidence in the Hydro Electric Power Commission, and when I wrote that body in February, 1921, I wrote it with the best of sincere faith, never thinking for

a moment or suspecting that that corporation had made a bargain or had arrived at a joint agreement of which my friend Mr.Jeffrey speaks. As soon as I saw that letter I took occasion to condemn the arrangement made,and more than that to condemn the Commission which would make an arrangement of that kind behind the backs and without the knowledge of the people interested,and I condemn it now. It is wrong on principle,and I would as soon expect the Government of the day to make secret arrangements with some power company without theknowledge or consent of the Legislature whose servant it is.

THE CHAIRMAN: Is that agreement noted on the minutes of the Commission?

MR.JEFFREY: I could not answer that. I do not know but I could find out.

---Adjourned at 1:15 P.M. until 2 P.M.

---2 P.M. RESUMED.

A.E.ROBERTSON.

I am President of the Cornwall Board of Trade. From the communication you received from our Board of Trade you know what our attitude has been. We have not shown any anxiety to take in what is probably old history. We had what we thought was a very justified complaint in 1921. On the whole a great many of us are inclined to feel that we prefer to forget it,but since the matter has come up again,I will try and confine myself to what I believe we came to deal with,and that is the relationship between the Town of Cornwall and the Hydro. My connection with the Board of Trade in 1919 was as secretary,and I want to touch

on our attitude in relation to Hydro.

In October, 1919, we were dealing with the Spinning Company, and I along with Mr. Stiles took their engineers up to the Hydro station and endeavoured to interest them in Hydro. I had not gone into the history of the Cedar Rapids or the Hydro Electric and I knew nothing about their past history. What I did know was that the Hydro people has established a sub-station there and were prepared to furnish power to this district, and I could not see why we should not be allowed to co-operate with them and deal with them on a friendly basis. I called up the Hydro station and asked permission to take the Spinning Company's engineer through their sub-station. We did so, and then I telephoned the Hydro office in Toronto and made an appointment there for the engineers to meet the Hydro engineers the next morning, and they went up and arranged a contract. I recall on that occasion having written two or three letters to the Hydro; representatives had come into town asking for information as to the cost of power in this district, and we got in touch with the Hydro people asking for prices of power, and to my knowledge we have never yet even got answers to these communications, that is, direct answers, and we have never understood why they could not give us a direct answer to our inquiries.

THE CHAIRMAN: Do you say they gave you no answer?

A. They have never given us any reason why they did not acknowledge these communications. People here were considering the possibility of dealing with the Sun Life, and I believe that was a factor that influenced their attitude towards our Board of Trade, and I do not believe that attitude

was justified.

TO COMMISSIONER HANEY:

Q. You think they drove you off on that account?

A. We thought that way. In 1921, the question of the Eugene Phillips Company coming here came up, and we got that information through an electrical engineer who was a friend of Mr. Grant, the manager of the Eugene Phillips Company. I believe we were the first ones that had the information that the Phillips Company were going to leave Montreal. During our first interview with Mr. Grant, he never mentioned Brockville once, but he did mention a town in Quebec, and later on in March he did mention Brockville. Our Mayor told you this morning about calling Mr. Jeffrey. We did not understand why Hydro should not deal with us fairly. We had absolute confidence in Hydro playing the game square, and it is my opinion that Mr. Jeffrey must know perfectly well that there was absolutely no other business brought him here than the fact that as the Mayor stated, he telephoned four or five times the day previous to try and get somebody to come down. In my opinion, trying to put any other interpretation on Mr. Jeffrey's visit here is absolutely camouflage.

MR. JEFFREY: It was not my intention to put any other interpretation on it, and if it helps any, I will say I came down for that purpose. I am quite agreeable to have it that way although my recollection of the visit at the time is not very clear, but as you begin to talk about it, I think possibly that was the reason.

MR. ROBERTSON: I am very glad to hear that explanation. The question came up this morning as to whether

the Hydro were justified in using the methods they did. I for one feel there was no reason why we should not deal with Hydro. It was mentioned this morning about our not assuming obligations, and that we expected to get power from Hydro and were not ready to assume any obligations and responsibility in connection with it. I cannot believe any citizen of Cornwall who knew the facts as I knew them can possibly say that the town should have gone into Hydro. We have got to keep in mind in Cornwall we have a company that has been furnishing a number of industries with power, and during 1919 there were 70 industries here, and I believe all but one of them that were taking power were taking from the St. Lawrence Power Company, and I cannot see where we would have been justified in any other course when the St. Lawrence Company were furnishing these industries with power at $23 per h.p., and nobody in Cornwall could recommend the municipality to make a change when that company was supplying our industries with power at a rate which nothing has ever turned up to convince us Hydro could compete with.

We are not complaing of what Hydro did for Brockville, but we do say that Hydro had no right to come in here and make us pay a higher rate than our own company was charging our industries. They might have had the right to try and draft an agreement which woud eliminate competition but if they did that, the obligation was on their shoulders to furnish us with power at the old rates, and they have never given us any intimation that they would do so.

Another reason for our dealing with the Sun Life was that we had these various companies all located

on our street railway sidings,and none of them immediately adjoining railway properties. They are all depending upon being served by the street railway. One of the largest is the Canadian Cottons,located south and east of the town,absolutely depending on the street railway. It has been mentioned in the discussion that Hydro would not consider taking over a street railway in a town under 30,000 population because it would not be a paying proposition. That conveyed to us the thought that if Hydro came in here they would not take control of the street railway system,and we had to stand by the policy that would maintain that street railway that was serving our industries, and that was a factor that influenced me in my decision last year in connection with the bylaw,because our industries depend in a great measure on our street railway connection.

I may say in reference to the advance in rates, Mr.Jeffrey this morning practically admitted that it was due to the fact that the bylaw had been voted on here,and that seemed to him to be justification for the Hydro Commission raising the rates in the latter part of August or September,and that is a matter that I seriously take objection to. I cannot see that Hydro had any possible justification for that action of raising the rates and conveying to the Phillips people the thought that there was some friction or an unsatisfactory situation between the Hydro and the Town of Cornwall.

TO COMMISSIONER HANEY:

Q. Do you mean to insinuate the Eugene Phillips Company would suffer? A. What I am coming to is this: Hydro were

(Page 1744 follows)

large customers of the Eugene Phillips Company and it cannot help but convey to me the thought that if I were in the Eugene Phillips Company's position,it would bring to my mind the fact that if I was going to a town that Hydro were not friendly with,it would be very likely to jeopardize my chances of continuing to get their business. That is a factor that would be considered by a large corporation wishing to retain the Hydro business.

Q. That is only your opinion; have you any evidence that that was the case? A. Yes,I have evidence but I do not know whether it would be any good to show it on this occasion,now that the Phillips people have gone to Brockville. I cannot see that it would help any of us now to bring that point up.

Q. The harm is done? A. It was mentioned this morning in reference to a letter the Eugene Phillips Company wrote to the Commission,and Mr.Jeffrey said you could not take any more from it than that they intended to come to Cornwall.

MR.JEFFREY: I think the letter pretty well explains the matter.

MR.ROBERTSON: You also mentioned something about a lull from April to August.

MR.JEFFREY: As far as our correspondence indicates.

MR.ROBERTSON: I cannot believe otherwise than that the Phillips people intended coming to Cornwall,and I believe on that occasion it was a positive fact that they intended coming here,and I have with me the blue prints which that company had J.A.Grant's company's engineer get out for them,and I cannot believe that company would go

to the length of getting out plans for their water frontage and wharves unless they had definitely decided to come here. They did not need a sewer because they were below the town. In Brockville they were above the town and naturally the health officers would not permit them to run their sewage into the river. I feel that the Hydro people came in here and endeavoured to get a monopoly of the power situation, and I claim once they did that, they were under an obligation to give us power at the same rate as we were getting it from the company who had been previously furnishing us with power.

TO COMMISSIONER HANEY:

Q. What is your fare on the street railway?

A. 5¢ straight.

Q. Wat is the amount of capital invested in your industries here?

MAYOR CHISHOLM: I have the reports of the Board of Trade for 1921, and attached to it is a schedule of the industries and statistics for the Town of Cornwall for 1917, 1918 and 1919, and that shows that the industries established in 1917 were 55, and in 1919 there were 70, and the value of the products turned out in 1917 was $5,474,869, and in 1919 $8,627,344.

Q. What was the capital invested? A. $7,538,000 in 1919. The number of people employed in 1917, 1757, and in 1919, 1973. Then they proceed to say that if to the value of the output be added the product of the Howard Smith Paper Company which is just outside of the town and amounts to $4,000,000 the total produce of our manufacturing industries in 1919 would be $12,627,344.

TO THE CHAIRMAN:

Q. Do you know anything about a letter from the Commission stating that there was an understanding between the Commission and the Cedar Rapids Company? A. I have a copy of that letter on our Board of Trade files.

Q. Did you make any inquiry as to whether that statement was well founded? A. Our Board did make inquiry and that might have some bearing on the matter.

Q. What did you find out about it? A. We found out, Sir, that we could get power from the Cedar Rapids Company.

Q. That there was no such understanding? A. I was not one of the delegation that interviewed the Cedar Rapids Power Company, but to my knowledge that was the information that there was no understanding.

Q. You were told that you could get power independent of the Hydro Commission? A. They gave our delegation this information that they were in a position to furnish us 1400 h.p. on a 24 hours& notice at the rate of $23, and any amount above that they would be in a position to furnish on a few days' notice at approximately the same rate.

Q. When was this information given? A. December 1921 or January 1922.

Q. That was after the alleged arrangement between the Hydro and the Cedar Rapids Company? A. Our position frankly was this: We felt that Hydro had discriminated against ut; we felt that they had gone beyond what were ordinary business courtesies, and as time went on, we became gradually convinced that there was no agreement existing between the Hydro and the Cedar Rapids Company, and even though we had known

otherwise our attitude then was to get in touch with the other people, and they gave us this assurance, not that they wanted to come in and furnish us with power, but they were not going to see us stuck.

Q. That seemed to be satisfactory? A. That was our reason for not wishing to go into this matter again. It came out at our Board of Trade meeting, and I believe the Cedar Rapids people preferred that we should deal with Hydro, but they knew the circumstances here and they had a connection here indirectly through the St. Lawrence Power Company, and they were furnishing a number of industries at a very reasonable rate, and they were ready to continue that arrangement, if we were going to be treated as we had been treated by the Hydro people in connection with the Eugene Phillips.

TO THE CHAIRMAN:

Q. Is there any person from the Cedar Rapids Company who can give us information on this subject first hand?

A. Not just now.

Q. You sent this telegram to Sir Adam Beck and received this reply, dated November 11th, 1920: "Have not sufficient quantity of power left in contract for supply of Cornwall District for 5,000 h.p."? A. I believe during the summer and fall we had written Hydro three or four times and on that occasion a gentleman came in and asked for a price on 5,000 h.p., and my recollection is we telegraphed and I finally telephoned the Hydro Commission, and that telegram was in reply to my telegram.

Q. In connection with the Eugene Phillips Company, did Mr. Drewry quote any rates to you?

A. No, the only occasion that Mr.Drewry quoted me was when I telephoned. He said they were making an application to the Department of Trade and Commerce for additional power, and I said these parties wanted to know what the rate would be, and he said, "If they get power it will be $21 or $22". This was in 1920. There is a letter from Mr.Chisholm stating he was quoted $21 or $22 on that occasion.

MR.JEFFREY: You made the statement that you had evidence to the effect that it would have been detrimental to the Eugene Phillips Company to have located tat Cornwall instead of Brockville, and I think you said that as they had gone to Brockville there was no use quoting evidence. Is that what I understood you to say? A. Words to that affect - that was the meaning of what I said at least.

Q. I think we ought to have that evidence, Mr.Chairman. Mr.Robertson has stated he has evidence to prove it would have been detrimental to the Eugene Phillips Company to have located their plant in Cornwall instead of Brockville.

A. I do not think I meant it in that way. The question came up from another angle from what you have implied. I said I believed I had evidence that the Phillips people preferred to come to Cornwall. It was not a question whether it would have been detrimental to come to Cornwall in this respect - what you mean by coming to Cornwall they would have likely lost a lot of business.

MR.JEFFREY: I do not know what you mean; that is what I am trying to get at.

THE CHAIRMAN: I think Mr.Jeffrey is entitled to

press that because you made the statement that you had evidence that influence was brought to bear on that company, but you have not given Mr.Jeffrey an opportunity to investigate that charge.

MR.JEFFREY: If you wish to withdraw your statement and revise it,I am quite willing that you should do so.

MR.ROBERTSON: I will say this that the evidence I have - and I believe it is absolutely correct - is information that comes from another gentleman.

MR.JEFFREY: We have heard a lot of that kind of evidence.

MR.ROBERTSON: That is one of the reasons why I did not give it.

THE CHAIRMAN: You should not have mentioned it at all if you were not prepared to give the particulars.

MR.JEFFREY: You should either withdraw the statement or give the evidence. I am quite willing,with the Chairman's permission,that you should do either.

MR.ROBERTSON: Well,Gentlemen,since you have asked this: the Eugene Phillips played fair with us in our dealings with them. We found them honorable business men, and what I did say a moment ago - and I do not even yet see where any good will be accomplished by giving it -

THE CHAIRMAN: I think,having made the statement, you should give the particulars? A. Well,I will. Mr.Grant of the Eugene Phillips Company,during the past few months - I would prefer very much not to give this,but I will - he said to myself why they located in Brockville "that Hydro put the guns to us".

TO COMMISSIONER HANEY:

Q. That was worse than the big stick? A. There you are.

COMMISSIONER J.A.ROSS: Did he explain what "putting the guns to us" meant? A. I think it is here what he meant.

MR.JEFFREY: Did he make any explanation?

A. I do not think he needed to.

Q. I am just asking if he did? A. I think he knew as well as we did what he meant; he knew we knew what he meant.

MR.JEFFREY: That is all I want to know; I want to get the evidence and I am quite satisfied.

TO THE CHAIRMAN:

Q. Did Mr.Jeffrey state in Cornwall that if the Hydro came in here it would supply power 25% less than was being paid to the private companies? A. I believe he did on one occasion make that statement.

MR.JEFFREY: I repeat that statement. I consulted Mr.Gaby, the Chief Engineer of the Hydro, on the matter and asked him if I were correct and he said, "Absolutely correct; it will be approximately that much". I still maintain that.

WITNESS: In actual practice where is it working out?

MR.JEFFREY: We are not here. That statement was made on the understanding that Cornwall would sign a contract and take over the local distribution system and distribute power which they would buy from us wholesale and sell retail. Under these conditions, the rates would

be much less as I stated,and I still maintain that.

WITNESS: You still maintain that if Cornwall went into the Hydro,we would get 25% lower rate than the power rates we now have in this district?

MR.JEFFREY: For your light and power also.

MR.ROBERTSON: You include power?

MR.JEFFREY: Yes, rates I said.

MR.ROBERTSON: Taking it for granted that Cornwall went into the Hydro you would add 500 h.p. to your present load? A. Whatever they would take.

Q. You say if Cornwall took this 500 h.p. that the rates would be 25% lower than they are now? A. I said if the rate in effect at that time,and if Cornwall signed a contract and took over their own system and operated their own system as a separate unit that their rates would be 25% lower than they were at the time.

Q. How can Cornwall expect to get a lower rate than any other municipality here?

MR.JEFFREY: Of course we are not entering into any argument about what Hydro can do or cannot do.

MR.ROBERTSON: They are evidently able to do a great deal.

MR.JEFFREY: I am only stating the facts as I know them.

MR.ROBERTSON: I may say this: I was one of the committee who drafted the agreement with the St.Lawrence Company,and as a member of that committee,my understanding was that we were only to draft the agreement with the Sun Life providing it was in the best interest of the town

todo that, and before drafting the agreement we got the rates of nearly every Hydro municipality, and we were particularly interested in those in the St.Lawrence System, because we knew their rates would be the same as the rates we would have to deal with, and I cannot understand, and I wish you would clear it up if you can, how we can expect to get much lower rates than Brockville or any other municipality, and it would certainly have to be a much lower rate if it was 25% lower than what we are paying now.

MR.JEFFREY: Cornwall is situated close to the point of supply, closer than Brockville, therefore the cost of supplying power to Cornwall would be less per horsepower than to any other municipality on the system.

Q. In the matter of the Eugene Phillips Company it was not very much less? A. The cost was less.

TO COMMISSIONER R.A.ROSS:

Q. There was a verbal offer of 25% less; why did not you take it up and see what they could do?

A. We investigated Hydro rates onthat occasion, but I don't believe a municipality on the Hydro system in the St.Lawrence Distrbct was getting as good a rate as we got in Cornwall, and how they could possibly give us 25% lower, I cannot understand. It would mean that they would have to go 25% under the rates we were paying, to make good what he said.

COMMISSIONER J.A.ROSS: If he had offered you a guarantee, you would be in a different position?

A. Absolutely.

Q. Mr.Jeffrey was not bound by his statement on the platform that he could deliver power 25% less?

MR.JEFFREY: Not bound to.

COMMISSIONER J.A.ROSS: They had a contract with the Power Company which was a bird in the hand,and your proposition was more or less tentative? A. Exactly. Q. That was the point of view you took?

MR.ROBERTSON: If we could believe that we would have a guarantee that our rate would be 25% lower,I do not think there is a question about it but what the town would have been quite ready to deal with Hydro.

COMMISSIONER R.A.ROSS: Q. Why did not you ask for competitive rates? A. WWill anybody tell me where you can get competitive rates from Hydro? Where can we get a guarantee from Hydro that the rate will be so and so. Q. Why did not you get a competitive rate? A. We had a rate,and we took the Hydro Commission's report as to the rates they were charging,and we used that to find out what these municipalities were paying.

COMMISSIONER R.A.ROSS: You could not have done a more futile thing to determine the rate in one municipality by comparing it with another. There is never any comparison between municipalities with regard to the cost of power. You cannot make any comparison as regards the cost to the consumer in the house and in the factory by comparing the rates paid by one municipality with the rates paid by another? A. I realize it is quite difficult to arrive at,but I say,having a knowledge of what other municipalities were paying that gave us a fair indication of what we would have to pay, and I believe reasonably accurate information,and we ought to be able to get it down to a very small percentage.

COMMISSIONER R.A.ROSS: I would not be able to do that.

COMMISSIONER: HANEY: The term "power at Cost" was always used in connection with Hydro practice?
A. Yes, that was the information we had.
Q. An approximate of reduction of 25%? A. Yes.

THE CHAIRMAN: Mr.Jeffrey said he submitted it to Mr.Gaby so that it was really an estimate for you as to what it would be if you went in.

MR.JEFFREY: I consulted Mr.Gaby, the Chief Engineer, and I asked him if I was correct, and he said absolutely correct.

COMMISSIONER R.A.ROSS: Why did not you make them a specified offer?

MR.JEFFREY: We were not in a position to make any offer except to supply power at cost. The Act does not permit us to do anything else.

MR.ROBERTSON: You can understand our position. That has been my understanding of Hydro ever since I have known anything about the organization - power was to be supplied at cost, and I was surprised on that occasion that he should make a definite statement.

THE CHAIRMAN: His estimate of cost was that it would be 25% less than the rate you were paying at that time, and it may be that his estimate would not be exactly correct, but he gave it to the best of his judgment?
A. I believe possibly he did.
Q. You felt that having got the offer from one company and a conditional offer from another, you took the first one? A. We had a definite offer from the other people, and

the question we had to decide was this: even though the rates might have been lower, I felt from the information we had our rates would not have been equal to the rate we were getting, and we had another factor and that was our street railway on which our industries depended for service.

COMMISSIONER R.A.ROSS: The situation is not altogether a question of power; it is street railway and gas as well? A. It was the combination.

Q. You have sources of power here that give you very cheap power and enough of it? A. Yes.

Q. You have competition here because you can get power from one of the other companies so that you have no kick? A. That was our reason for stating that we were not really keen for going into this matter.

TO THE CHAIRMAN:

Q. Have you got sufficient power here for the industries without Hydro? A. At present we can get 1400 h.p. within 24 hours' notice, but if we want 2,000 or 3,000 h.p., I believe we can rely upon the Cedar Rapids Company furnishing it to us, not that they wish to do so, but they want to see us get a square deal.

Q. Where would you get the 1400? A. In this vicinity. We have a powerhouse up at Mille Roche about six miles out that is capable of generating 2,000 h.p. at the present time. That is not in use; it is idle, and the St. Lawrence Power Company are trying to draw power from the Cedar Rapids Transmission line which is opposite the Hydro station. They say they can furnish 1400 h.p. on 24 hours' notice, and it would occur to me that they would possibly expect to start the old power house at Mille Roche again.

H.W.SNETSINGER.

Mr.Robertson has already cleared up one of the points in connection with Mr.Balfour's letter,that was as to the sewerage.

Another point was brought up,and I think Commissioner Ross said Cornwall was on a spur line of the C.P.R. It is no more on a C.P.R. spur than Brockville; they both connect with the main line. We have a branch line and so has Brockville and any arrangement that the Eugene Phillips Company have made with the C.P.R. could be made here. That letter of August 20th that was written to the Hydro Commission asked for a tentative power rate and Mr.Jeffrey says it was replied to on the 26th of August. The first news we had of it was when Mr. Grant said,"We have heard from the Hydro Electric",and his letter is dated the 24th day of September - that is a delay of a month,and I would like to know what transpired between the 26th of August and the 23rd of September.

THE CHAIRMAN: Do you know,Mr.Jeffrey? We read you one letter from Mr.Pope dated August 26th.

MR.JEFFREY: From August 20th to September 23rd, there is nothing that I know of. The files that I went through are rather voluminous,and we just took the important letters,and I have not got all the file here.

WITNESS: You have no communication of any kind?

MR.JEFFREY: No,I have nothing; if there had been anything of importance,I would have a note of it.

MR.SNETSINGER: On the 24th of August in company with Mayor Chisholm,I visited Mr.Grant of the Eugene Phillips

Company, and he as much as said then he was not coming to Cornwall, and that was four days after the 20th.

Q. Did he give any reason? A. No, he said I have letters from Hydro, which we did not ask to see. That was on the 24th day of August.

MR.JEFFREY: There are no letters sent other than Mr.Pope's between those dates, and no telegrams.

WITNESS: Can you tell me what was the cause of the delay?

MR.JEFFREY: Yes, I can explain that. I said this morning that the situation in Cornwall in the meantime had changed from the time we gave the first rates, and that the whole matter had to be reconsidered by the Commission, and was considered at two or three meetings before a definite rate could be sent forward. We also had a delegation from Brockville protesting against giving equal rates on the same basis to a company in Cornwall that we would to Brockville.

MR.SNETSINGER: This bylaw that affected you so seriously was in July?

MR.JEFFREY: Yes.

MR.SNETSIGNER: Mr.Grant did not write you until August 20th asking for a contract in Cornwall.

MR.JEFFREY: I have not the record of any communication or any negotiation between April and August.

MR.SNETSINGER: There was no reason for delay.

MR.JEFFREY: No reason other than what I have told you, that I know of.

MR.SNETSINGER: The situation is this: In July,

as far as any arrangement we were endeavouring to make with the Phillips Company as regards the site and the price was finally settled,and we kept saying to the Phillips people: "Is there anything more that you would expect us to do for you?" And they said,"No, everything that we want has been done". I am under the impression at that time things in Brockville were not in such shape that they could get terms. It may be rather infra dignitatem for me to presume there was one month's delay for a certain reason.

THE CHAIRMAN: The draft agreement asked for was never signed? A. It went with a letter.

Q. It was never signed,was it?

MR.JEFFREY: They got a copy of the standard contract.

THE CHAIRMAN: I have not seen any reference to that; you sent him revised rates - I think you sent that instead of the contract.

MR.JEFFREY: They got a standard contract at the time the rates were sent. I do not know that it was mentioned in the letter.

Q. Have you any letter enclosing a contract and referring to it as being enclosed?

MR.JEFFREY: September 26th,1921,there was a letter sent out giving a draft of the agreement covering delivery of power to Brockville.

TO THE CHAIRMAN:

Q. This was a draft agreement for a supply of power at Cornwall,and we have not any acknowledgement of that letter? A. The reason a draft contract was never sent out,they asked for a draft contract including rates already

forwarded to them, but they never asked for a draft contract for rates as sent out revised.

COMMISSIONER HANEY: They did not know at that time there was to be any revision? A. Not until the letter was sent out.

Q. They did not know until September 23rd there was to be any revision? A. No.

THE CHAIRMAN: In their letter they just asked for a contract? A. They already had a copy of our standard contract.

Q. Why did they write for it? A. They were up to the office and they got a copy of that contract at that time - a blank contract. It contains all the terms and conditions of any contract. That was on the basis of the first rates that we forwarded.

MR.SNETSINGER: I understood from Mr.Grant - and I called him on half a dozen occasions - that even after the first rate was quoted he never had any contract from you.

MR.JEFFREY: Mr.Balfour had copies of our contract before this date. He got a standard form of contract but I have not any record of the date. Any power customer or any prospective power customer that wants a copy of the Commission's standard form of contract can get it at any time.

COMMISSIONER HANEY: What was asked for in this case was a specific contract for Cornwall, and that was not sent? A. No, because the rates were being reconsidered.

Q. Did you state to him you were not sending the contract until the rates were reconsidered? A. No, we said the matter was being placed before the Board, and the Board

considered it at two or three meetings, and then the rates were sent.

THE CHAIRMAN: There is no record of any request being made for that Brockville contract. There was a request for the Cornwall contract and the contract sent was the Brockville contract, and the Cornwall contract was never sent to these people.

MR. JEFFREY: The inference there is that instead of sending the contract, we sent out one for Brockville - we did not send them a contract, Mr. Chairman, for a power supply at Brockville until they asked for it.

Q. And the only reply they got to a request for a contract to Cornwall was Mr. Pope's acknowledgement saying the matter would be brought before the Board, and that was the end of it? A. You are quite right. They asked for a power supply at Cornwall based, as we presume, on the rates that had already been given them. Before the contract could be sent to them - it was not a blank contract they wanted, it was a real contract - and before it could be given to them for a supply of power at Cornwall, it was necessary for the Commission to approve of the rate, and that was being reconsidered, and as the rate was being reconsidered and the change made, there was no use sending out the contract at the new rate until they decided they would take it at the new rate.

COMMISSIONER HANEY: What was the change in the conditions that made reconsideration of the rates necessary between the time the rates were quoted and the time they asked for this contract? A. I do not know. I explained that two or three times.

Q. You have not explained it at all.

THE CHAIRMAN: The record shows that the Phillips people wrote on the 20th of August asking for a contract for a supply of power to Cornwall; then on the 26th Mr.Pope wrote them acknowledging that.

MR.JEFFREY: Exactly,and said the matter would be considered by the Board,and the next letter on the file is the 12th of September - between two and three weeks later - in which Mr.Grant the Managing Director of the Phillips Company wrote Mr.Pope acknowledging the Commission's telegram,and what that telegram was I do not know. Then the next letter is September 22nd in which Mr.Gaby wrote the company with the revised quotations.

MR.SNETSINGER: Do you think the Commission were quite justified in taking two months to get the new rates?

MR.JEFFREY: That is for them to say. It takes quite a while to get rates out sometimes,and if you were in our office just now,you would perhaps understand why we don't get our work out as quickly as we perhaps might.

COMMISSIONER HANEY: You have not answered my question as to what transpired between the time you gave the rates in April and the 20th of August tomake the change necessary in the rates?

MR.JEFFREY: Perhaps I did not make it clear,but I thought I did this morning. I thought I went over it two or three times.

THE CHAIRMAN: He says the vote was takenon the 19th of July.

COMMISSIONER HANEY: Was that the reason?

MR.JEFFREY: Yes.

Q. The defeat of the bylaw? A. Yes, necessitating the revision of the rates on a ten year basis instead of a 30 year basis, and the representations from Brockville.

MR.SNETSINGER: The only thing I have to say in conclusion is that I think as the matter stands, as far as I can see, you should either have to confirm or endorse that. The Hydro Commission has a moral right to put a Hydro town before a non-Hydro town, and that they also have the moral right to make an arrangement with a company such as the Cedar Rapids Company that they shall not do business with any other municipality in the district - I think the whole matter is summed up in that.

Q. You take issue with the statement that a Hydro town should receive first consideration and should be given a preference over a non-Hydro town? A. Yes, I do.

Q. What do you say to the argument that these Hydro towns are the ones that bear the responsibility for the undertaking, and they should be helped to secure industries?

A. I do not know about that - I do not think we should be discriminated against to the extent that we were penalized in the discrimination between Brockville and Cornwall. I do not think a difference of $6.00 per h.p. is justified.

COMMISSIONER R.A.ROSS: Supposing you were put on the same basis as a Hydro municipality, how many outside municipalities would come into the Hydro and assume the responsibility? The whole responsibility would have to go on the Government? A. I think they were justified in the first rate in making a difference of $2.00.

Q. You think the discrimination against you was too much?

A. Yes, I will admit there might be some little difference ,but this was altogether too much discrimination.

TO COMMISSIONER R.A.ROSS:

Q. I think their first charge is to their own customer?

A. It was not the Town of Cornwall; it was the Township of Cornwall which is not a Hydro municipality. We were dealing on behalf of the Township of Cornwall,and we are interested because it is in close proximity to Cornwall.

Q. You have heard it stated today that there is no such understanding? A. Yes,I think you can easily find out whether it is true or not.

THE CHAIRMAN: The Hydro take the ground that there is an understanding,and Mr.Gaby writes that there is an understanding. The person who can confirm that is on the other side,and if they say there is no understanding,then of course there is no understanding.

A. Suppose they say there is one,and Mr.Gaby says there is one.

THE CHAIRMAN: In order tohave an understanding, there must be an agreement.

EDWARD O'CALLAHAN

One point was not touched on and that was a proposition which was made two or three years ago when Mr.Fetterley was mayor,and that was a proposition to take over these utilities from the Sun Life,and ask the Town to guarantee the bonds for $300,000.

Q. From whom did that proposition come? A. It came from Mr.Harvey and his associates. It was to take over the street railway,the Stormount Electric Light and Gas,but that was turned down by the corporation. That led to this other proposition of fixing up Pitt Street. The only antagonism shown by the citizens to Hydro was their interference in the town in a purely local affair. It was something that did not concern Hydro; it was a matter between the Town Council and the Sun Life,and we felt that outside inferference was not justified. Hydro passes our doors; you can see their line from this window,and we welcome Hydro at any time,but we are not going to sacrifice industries and utilities that we have here for something that we do not know what we are going to get. That was the positionof the citizens during that campaign. I stated before Sir Adam Beck that he was misinformed and did not understand the situation in Cornwall at that time or I do not think he would have interferred.

COMMISSIONER J.A.ROSS: You are in the drygoods business? A. Partly.

Q. Supposing I was a very good customer of yours and Commissioner R.A.Ross was not a customer at all. If I came to you for something you would likely give it to me as against him. A. That would depend on how much money

there was in it. Would you be willing to pay more to me than Mr.Ross? Would you expect me to give you more advantages than Mr.Ross?

Q. All things being equal you would prefer me because I was a big customer? A. I do not know; that is not business.

MR.ROBERTSON: Can you tell me the number of paid employees you have that were in Cornwall during that fight on this bylaw - the second fight?

MR.JEFFREY: Mr.Drewry was here, Sir Adam Beck, Mr.Gaby, Mr.Surtees and Mr.Hannigan, I believe.

Q. No others at all? A. Not that I know of, except Mr. Stewart may have been down here working on the right of way.

TO THE CHAIRMAN:

Q. When you come to fight a bylaw like that to whom are the expenses charged? A. They would be paid by Cornwall in the event of Cornwall signing a contract.

Q. If Cornwall did not sign a contract who pays them?

A. They are paid by the Government.

Q. Did the Provincial Government know they were incurred for that purpose? A. It was just one of these expenses of advance work in connection with getting a new town.

COMMISSIONER R.A.ROSS: There is an appropriation made by the Government for that purpose?

MR.JEFFREY: Yes.

THE CHAIRMAN: Would not it be straining the question to say it was proper to come in and fight a bylaw when there was no application to give an estimate. Is not that rather stretching the question?

MR.JEFFREY: There is a difference but our work

was merely explaining the advantages of Hydro.

Q. Does the Government get an itemized statement of that?

A. The Government will have a statement.

Q. They must have had it before this time? A. Yes.

Q. It seems to me that goes beyond the intention of the Legislature. I think if I was a citizen of the town I would rather resent having public moneys used on one side in the contest? A. There are always two sides to any question.

Q. Did the town invite you to come down? A. We had an invitation; I think the Mayor invited Sir Adam Beck to come down.

MR.CHISHOLM: The Mayor did not,and I stated so this morning.

THE CHAIRMAN: You did speak of wiring Sir Adam tocome down.

MR.CHISHOLM: I wired Sir Adam on the 3rd of July, 1921, at the request of the Citizens' League,and the telegram so stated.

Q. To oppose the bylaw?

MR.CHISHOLM: I knew he would oppose the bylaw, but as Mayor of the Town,when requested to do so,I considered it my duty to accede to their request,although I personally knew he was coming to pppose the bylaw and going to oppose my contention. They could not get him here so I wired at their request and he accepted the invitation of the Citizens' League. The Mayor of Cornwall never invited him.

Q. Was any resolution passed by the Council asking Hydro to come down? A. No, we didnot know Sir Adam Beck was coming here until some gentleman of the Citizens League told

me he would be sure to come, and at the end of the chapter they could not get him, and they came to me, as Mayor, to wire in their name for him to come.

MR.JEFFREY: That is just exactly what I understood.

MR.ROBERTSON: To your knowledge did Mr.Hannigan pay any of the bills in connection with this propaganda?

MR.JEFFREY: I could not answer that.

J.J.FALLON.

TO THE CHAIRMAN:

Q. You are one of the business men of Cornwall?

A. I am in the stone business and do some contracting work.

Q. Did you have any dealings with the Hydro? A. I have sold them some material - some cement, I think that is about all, and some tile pipe on different occasions.

Q. Were you an opponent of this bylaw? A. I was.

Q. Amongst the files of the Hydro is a telegram from you to Mr.Drewry on the 28th of June, 1921, which reads: "Send Hannigan at once; conditions require him. Letter following". Was that from you? A. That is from me.

Q. Why did you send that? A. I heard a man by the name of Hannigan was coming down here for the Hydro, and I sent word for them to send him because I saw the necessity. Other people were trying to carry through the bylaw, and I knew how badly they felt about not carrying the one eighteen months previous, and they were bound to carry this one, and I thought it would be a benefit to the Town of Cornwall to have Hannigan here. We felt we would like to get somebody from the outside who was acquainted with the Hydro System.

Q. You thought Mr.Hannigan had special qualifications?

A. From what I was told.

Q. Had Hannigan been here before? A. Not to my knowledge.

Q. How many Hydro men were here at that time? A. Mr.Drewry was here - I could not say how many others.

COMMISSIONER HANEY: You were not their time keeper? A. I was not.

THE CHAIRMAN: Were you their paymaster? Did you pay their expenses? A. I did some.

Q. Did you pay Hannigan's expenses? A. I did not know Hannigan had to be paid.

Q. Who paid them? A. I could not say.

Q. There is a letter on the files from you written since that time,dated August 10th,1922,to the Hydro Power Commission,Toronto: "It is a very funny thing that your purchasing agent refused to get prices from us for the cement for the Hydro building". (Letter read). What was the occasion of that letter? A. That was a building they erected at their powerhouse,and I was informed that they had purchased considerable material,and I wondered if the dealings that we had with them previously were not satisfactory,and they answered that they were but that their representative here did not know of our firm,and he had not much material to buy; that was the reply.

Q. Had the persons from whom they bought been opposed to Hydro? A. Yes.

Q. Was that the reason why they should not buy from them?

A. That would not be the reason why they should not buy from him,but I wished to know if they were satisfied with our dealings previously, and that is why I wrote the letter.

Q. Do you think Hydro should give a preference to their friends? A. I do not; I think all things should be equal.

Q. They had been buying from you before? A. The reason was that the representative here did not know anything about us so had bought without any knowledge of us.

Q. Here is the reply from their files in which they agreed with you. (Letter read). Did they afterwards come to you? A. No, they did not have any more to purchase.

Q. They have not purchased anything since? A. Not that I know of.

Q. Is there anything you would like to say on any of the subjects about the Eugene Phillips Company or local conditions in Cornwall? A. Nothing more than I think the local conditions would have been largely benefitted by the Hydro System in Cornwall and Cornwall Township. My reasons for saying so are: when they had this bylaw up 18 months previous, I was very glad it was defeated. They brought their bylaw three years previous to their time expiring, but the second time I was very much opposed toit and spent a lot of time writing letters to different municipalities from one end of Ontario to the other, and I found that invariably every municipality dealing with the Hydro system was satisfied. I met men who would ask me about such a place and say they were kicking, and I would sit down and write a letter tothem and ask them if they were satisfied, and I have in my possession about 25 letters, and everyone of these letters with the exception of one personal letter, was favorable to Hydro, and on these grounds I thought it was a proper thing for Cornwall.

I would like to see Cornwall progress because I have my interests here and my life work is here, and I have every reason to believe, notwithstanding the severe opposition, that Hydro would be a good thing for Cornwall.

TO COMMISSIONER HANEY:

Q. Did you make inquiries from the municipalities in the St.Lawrence District? A. I did.

Q. Did you inquire from Chesterville? A. You would not expect them to be. I understand the circumstances there and I understand the circumstances of one man particularly, but the reply I got from a man who is handling the business in Winchester and Chesterville was favorably. The municipality of Chesterville was the only place that was not satisfied. This is one of the main things in this part of Canada, and I was very anxious that a Hydro representative would be here. I was in the council in 1912, and ever since then I have come to the conclusion that a system similar to the Hydro would be beneficial to this town.

In speaking of the Eugene Phillips or any other company coming here, today we have not got power for them. The first thing that interests any company coming into any place in a business way is power. I have been informed here differently today, but I would like to get proof of where the extra power is coming from for us in the Town of Cornwall.

Q. Mr.Robertson said they were assured by the Cedar Rapids people they could get it? A. Mr.Robertson made some statement that he was informed they could get it, and I have been informed that they cannot.

MR.ROBERTSON: As Chairman of the Utility Department

of the Board of Trade, I have already quoted a concern outside a rate on 1200 h.p. which I feel sure can be delivered.

MR.FALLON: In answer to the Chairman of the Board of Utilities, I might say that the concerns that are in operation at the present time or have been in operation in the Town of Cornwall have been minus power at times, and have only a daylight service, and I think that is thoroughly understood. I moreover opposed the bylaw on the ground that I do not think the road construction and the street railway should be brought into the contract at all. They were two different contracts, and one expired two or three years after the other. They should have brought one bylaw up at a time, and if the people did not want the street railway they could vote that they did not want it when the franchise expired. I agree that the agreement drawn up 18 months previous was altogether different to the one drawn up at the time the people voted. I have read over the contract and I know. Many people did not vote against the street railway nor against the bylaw but they voted for them to finish their contract and to wait until their contract expired. I have no fault to find with the company; they were looking after their own interest.

THE CHAIRMAN: By whom was this letter signed that was sent to you? A. I could not tell you that, unless it was signed by Mr.Gaby.

MR.JEFFREY: That would be Mr.Gaby signed per Mr. Drewry.

A.E.FETTERLEY.

THE CHAIRMAN: We will be very glad to hear from you on this subject. You were Mayor and were in close touch with what was going on at the time? A. Yes,Sir. Q. Did you know anything about these negotiations with the Eugene Phillips Company? A. No,that was not in my time. That was since my time as Mayor. These negotiations were carried on,I think,in 1921; I was Mayor in 1919-1920. Q. Is there anything you would like to say to us on the local situation? A.My views are well known in the town. As I see things, even today,the Town is perhaps well satisfied with conditions as we have them because the feeling of the people was misunderstood by me. I think they want more industries in the town,and for that reason we require a great amount of power,but by their vote on the bylaw to extend the franchise to the Sun Life Insurance Company,they say plainly that we have sufficient power and that we have all the industries we require here,notwithstanding there is some talk about wanting more industries,but it is only talk. The chief industries here do not wish to have any other industries in the town. That is my candid opinion,Sir. They voiced that plainly to me whenI was Mayor. They came to me and told me we should look after the industries we have here and not care about getting any others in,so as I view the situation things are perfectly satisfactory without any other industries coming in,and the power that is here at the disposal of the town is sufficient to run the present industries. You are aware there was a power house built on the canal bank during the time I was mayor,and that had a great deal to do with the situation.

Q. What power house is that? A. The Canadian Cotton Mills built a power house of their own on the canal bank, and that seemed to change the whole situation.

Q. Is there anything further? A. No, unless there are some points you want to ask me particularly about.

Q. I was under the impression that you had something to do with the negotiations? A. No, I had nothing whatever to do with them. Anything I might say would be only hearsay because I was not connected with the Board of Trade nor the Town Council while these negotiations were being carried on.

MR.ROBERTSON: Mr.Fetterley said it was his opinion that the industries at the present time here do not want any other industries in. I might say how we came to know the Eugene Phillips Company were considering leaving Montreal, the first word we got was from Mr.Boyd, the Managing Director of Canadian Cottons; he told us of that.

MR.FETTERLEY: The very same gentleman was the one who came to me and told me we did not want other industries in the Town of Cornwall.

EX-MAYOR C.J.HAMILTON.

I have only a few words to say as a common citizen. I have been twice Mayor of the Town of Cornwall, and I have resided here for 43 years. The point I take exception to is this: That the Hydro Electric Power Commission had no right whatever to come into this town and interfere with a private election on a private matter; that Sir Adam Beck and his satellites had no right to come to Cornwall and talk to the

citizens on a private affair and receive pay for doing so from the Exchequer of Ontario. The air is full of what the Hydro Electric is doing in all directions for the Province of Ontario, and the Premier, Mr. Drury is the first man that ever had nerve enough to call that gentleman for a show down. They have been at perfect liberty to do what they liked with this country ever since they have been inaugurated, and Premier Drury is the first man to call them down. I say this gentleman who was here on the platform talking about a year ago, had no right to be here. It was our own private affair. The Hydro Electric runs by this town and every citizen can have it for private purposes. The only franchise we have is with the Stormount Electric Light and Power Company for lighting our streets, and Hydro Electric is at liberty to sell power to everybody in this municipality, and I as a citizen believe everybody else will say that Hydro had no right to come to this town and fight a private election and interfere with our private affairs, and then be paid out of the Exchequer of the Province of Ontario. They do not work for nothing. That is the plain deal of the whole matter. I am not going to enter into the discussion of the price, but I was opposed to Hydro, and I think they had a good deal of cheek to come down here and talk to our citizens as they did, on our platforms, about things they had no right to talk about. I think Sir Adam Beck would have been doing a great deal better if he had been attending to his own affairs in Western Ontario.

MAYOR J.M.DOBIE, Brockville.

TO THE CHAIRMAN:

Q. Do you know anything about the negotiations with the Eugene Phillips Company? A. Yes.

Q. Perhaps you can tell us what you know about that?

A. Mr.Chairman,in the first place I heard a lot about the power question to day. Mr.Johnston of Brockville who is manager of the Public Utility Commission and also the Industrial Commission for Brockville had in his hand at the time all the correspondence with Hydro,but he came away without it.

Regarding the dealings with the Eugene Phillips Company,I was associated with him in that. It has been said that the power question entered into their locating at Brockville,but that was not the dominating factor at all. Power did not enter into it in my recollection of the transaction or negotiations. They newer definitely decided on Cornwall,and I had been to see them 15 or 20 times in Montreal,and they told me they never definitely decided on Cornwall, and they decided on Brockville probably a month before it was made known. The matter of power did not enter into the question. One thing that entered into it was the C.P.R. I went to Toronto once or twice with Mr. Johnston to see the Hydro Commission and we impressed upon them that we did not want to be discriminated against too much between Brockville and Cornwall,that we were already on the St.Lawrence system,and we thought it only fair as we were paying our share of the line,we should be treated fairly in the matter. The Eugene Phillips people looked over the town and the situation, and they sent several of

their employees to Brockville, and that waw all there was to it. They wanted to come to a good town.

COMMISSIONER HANEY: You got the industry anyway?
A. We got the industry, and we have nothing against Hydro and no criticism to offer. If there are any questions I can answer I would be very glad to do so.

COMMISSIONER R.A.ROSS: If you had not got the industry, we would be sitting in Brockville instead of Cornwall? A. You might have been.

THE CHAIRMAN: With all its residential advantages?
A. Yes, you might be better there than here. We are paying $55 per horsepower now. The Eugene Phillips Company started to operate about November 1st, and when their power rate is determined and when the Hydro Electric make an adjustment, our rate will come down in Brockville and all over the St.Lawrence system.
Q. Have you any assurance of that? A. Hydro tells us that. Mr.Jeffrey and Mr.Drewry gave us that assurance.

COMMISSIONER HANEY: From Mr.Jeffrey's evidence today it will appear you will get a reduction of $20?
A. The rate calculated for the Phillips people at 1100 h.p. was $35. Of course our rate won't be reduced $20. I suppose there will be transformer charges and so on. Several times since we have been to see the Hydro and we have had inquiries regarding blocks of power from 1500 to 3500 h.p., and that was one reason, I think, why they spent so much money on the line so as to take care of future development. No use doing something to take care of the Phillips plant because the load may be increased at any time.

MR.JEFFREY: Was Brockville satisfied with the class

of service they were getting over the line before we made the change? A. No,not altogether.

Q. How soon do you think, as far as your service is concerned,should that line have been built? Was it built any sooner than it should have been for your own service?

A. No,I do not think so.

TO THE CHAIRMAN:

Q. How much will this new line raise the rate in Brockville?

MR.JEFFREY: I could not tell you that,but with the increased load,the rate will come down.

Q. If they had got an increased load and you had not to do anything to the line,it would be still lower?

A. Yes,I could not tell you that without making some calculations.

COMMISSIONER R.A.ROSS: Could you carry the load on the old line?

MR.JEFFREY: No.

Q. If you had been able to carry the load then the rate would be lower? A. Yes,but I do not know what the load would be.

ARTHUR JOHNSTON.

TO THE CHAIRMAN:

Q. You are manager of the Public Utilities of Brockville?

A. Yes,Sir.

Q. Do you know anything about the Eugene Phillips Company?

A. I know the negotiations so far as the Town of Brockville was concerned.

Q. When did they begin so far as you were concerned?

A. In December,1920.

Q. In what way? A. I was informed by the engineer in their employ that they would, in the very near future, look for a new site in a small town in Ontario or Quebec, and negotiations started from that point early in 1921.

Q. That was an engineer of the Eugene Phillips Company?

A. Yes.

Q. When did the correspondence start? A. Early in 1921.

Q. Have you any letters on the subject? A. There are some of them on this file I now hand you. That is not by any means a complete file.

Q. The first letter here is dated March 8th, and is in reply to a letter of March 5th? A. That is only a few extracts that I have made.

Q. That may have some bearing on this inquiry. This is a letter from Mr. Gaby? A. Yes.

Q. Have you any letters earlier than this? A. Nothing earlier.

Q. There are some earlier than this? A. There may be in connection with the negotiations between the Eugene Phillips Company and the Town of Brockville, but I doubt if there is anything earlier between the Town of Brockville and the Commission.

Q. There is a letter from you to the Hydro on March 5th on the Hydro files. I think the negotiations here began in February? A. So I have heard today.

Q. Did you take the matter up with Mr. Drewry before then?

A. Yes, I think I visited Mr. Drewry in Toronto in connection with this matter, and I also had Mr. Drewry accompany me to Montreal to see the Eugene Phillips Company in connection

with power. That would be March or April, 1921.

Q. That is just about the time negotiations started?

A. Yes, I had been to Montreal several times previous to that.

Q. Did you have any meeting with Mr. Drewry in February about it? A. I believe Mr. Drewry visited me in Brockville in connection with it.

Q. What took place at that interview? A. I do not know that I can answer that from memory.

Q. Would it be the early part of February or the latter part that Mr. Drewry came to Brockville to see you?

A. I could not answer that; it would be during the month of February I should say.

Q. Do you recall the date, Mr. Drewry?

MR. DREWRY: I believe there was a report on file stating I visited the municipality of Brockville about February 3rd, on which occasion, in the evening, we discussed with the officials of the town and Mr. Balfour representing the company, the matter in the manager's office. That was the first time I met them, and we deal with the Hydro policy chiefly, and I got from them roughly the quantity of power they required and some preliminary data in connection with the scheme.

Q. When did you first speak about the Eugene Phillips people?

MR. DREWRY: No correspondence actually took place between the company and us until after that; there was no written request made to us, but I was present in Brockville on this occasion on an ordinary official visit to the municipality, and took up this matter with them.

Q. Where is your report on that? A. It was at Toronto. I have a memo on the file if I remember correctly.

Q. It is not on the Hydro file? A. It was not a letter.

Q. Can you give us a copy of that memo? A.Yes,I think I can get that.

Q. Did you take it up with any others of the staff?

A. I would report a visit of that nature to the Chief Engineer,and that would be on the regular procedure file.

THE CHAIRMAN: I think you said,Mr.Jeffrey,you had not learned of this until later?

MR.JEFFREY: I do not think I said that. I would learn of it through Mr.Drewry's report; he reported to the Chief Engineer through me.

THE CHAIRMAN: I understood you to say this morning the first you learned of it was when you came down here.

MR.JEFFREY: The first I heard of it in Cornwall?

Q. In any place? A. I do not recall having said that. I may have said it - we got so many inquiries for power that the exact date cannot be remembered.

TO MR.JEFFREY:

Q. Regarding the construction of the line was it your opinion that the service from the old line was satisfactory before the last changes were made? A.Oh,no,positively no. We realized that expenditure would have to be made on the line between the sub-station at Cornwall and Brockville. One reason we were so keen to get the Eugene Phillips located was that the change would be made with a comparatively small addition to the load and that would have increased our price,but by securing this industry,the additional cost

of fixing up the line would be divided into the total load of the town and the different municipalities. The service in the beginning of 1921 was not good.

Q. The increased load was of considerable benefit to your town? A. Of very considerable benefit under such conditions.

TO THE CHAIRMAN:

Q. Is there anything further you would like to say, Mr. Johnston? A. I would like to confirm what Mayor Dobie has stated that the question of power was not very vital with the Eugene Phillips Company. There were many other matters that entered into it, and I know the decision was made before the final power quotations were made at Brockville.

TO MR.JEFFREY:

Q. Do I understand you to say that before the letter was sent out to the Eugene Phillips Company giving them the increase in rates as far as Cornwall is concerned, that they had decided to go to Brockville prior to the receipt of that letter? A. There was a verbal understanding between the officials of the Board of Trade and the officials of the Eugene Phillips Company.

TO MR.ROBERTSON:

Q. Do you say that was the first intimation that you had that the Eugene Phillips Company were going to Brockville?

A. That was definite.

Q. You did not know before the 20th of August?

A. No, not definitely.

THE CHAIRMAN: Do you want to say anything about the letters to and from Mr.Fallon?

MR.JEFFREY: No,I think not.

THE CHAIRMAN: Are there any gentlemen here who would like to be heard on the Cornwall situation?

EX-MAYOR FETTERLEY.

I has been said that Hydro were not invited to come to Cornwall,but I want to say they did not come here of their own accord . In 1919 when it was first mooted that the Sun Life wanted an extentionpf their franchise,leading citizens of the town came to me as Mayor and said,"We should get some information on the electric situation in Cornwall before we can vote on such a bylaw intelligently",and I suggested that,on account of the Hydro being near us and being so well known in the Province,we should get a Hydro speaker xx at some public meeting,and I invited a Hydro speaker. We had a Labor Organization at that time,and they invited a Hydro speaker to be here at a public meeting, and I was Chairman at that public meeting,and afterwards another public meeting was held by the Sun Life Insurance representatives here and I was also Chairman at that meeting, so that the matters were fully discussed and the people were given first hand information on both sides of the question, and to say that Hydro came in here without being invited is not true. They were invited by the Labor Organization and I sent them an invitation as Mayor of the Town on the strength of what leading citizens said to me in connection with the matter.

Q. Did the Council invite them to come here? A. No.

Q. You as Mayor wrote them? A.Yes. There are citizens who spoke to me about it,one ex-Mayor of the town - perhaps

he gave evidence here today. He came to me and asked me to invite them to Cornwall, and that is How Hydro came to be here. They were here on two or three occasions, and when I acted on the second occasion as Chairman for the Sun Life Insurance people, there were Hydro speakers present again. I said we must have both sides of the question.

WILLIAM HODGE.

It appears to me that the point of most vital interest to the citizens of this town is whether an agreement exists between the aluminium Company of Ontario who own the power line passing our doors and the Hydro Electric Power Commission for an exclusive power transmission over their line. If an agreement or contract exists, I think we should try to do something to nullify it as it discriminates unfairly against this town. If we were allowed to purchase power which we could get in any quantities just as well as the Hydro Electric Power Commission from the Cedar Rapids Company, we would not have to go down on our marrow bones to these Hydro gentlemen for power, and we can get it at considerably lower rates than they are able to supply it in the St. Lawrence district west of us. Why should we be penalized when we have a power line passing our door? Why should we be at the expense of building an additional line? That is something I cannot understand, and it seems to me as a citizen that we should have that matter settled.

THE CHAIRMAN: Would not it be possible to have some representative of the Power Company here to state whether there is such an agreement?

HENRY C.F.POSTE.

I am manager of the St.Lawrence Company,and to my knowledge I do not know of any one who knows of any agreement of the kind.

Q. Have you ever heard that there is such an agreement?

A. Just what I have heard here and at the Town Hall.

Q. You have not heard so from your own company?

A. No,I have never heard anything about it. I am not saying that there is not an agreement or that there is.

Q. Are you at liberty to sell power over here?

A. So far as I know,although in my capacity as manager I never do anything without consulting my superiors,and I do not know what their policy might be.

Q. Have you ever given any quotations? A. Yes,I have quoted prices in a general way. I could not quote a definite price for a definite amount of power or to be served in a definite way. We are selling power to the Pulp and Paper Company for $23 and we have sold to the Canadian Cotton Company for $23 and to the Provincial Paper Mills at Mille Roche at $23,but the Paper Company at Mille Roche was already installed,and we just continued the old contract at that price.

TO COMMISSIONER HANEY:

Q. Have you any power available? A. We have about 1,000 h.p. that we can dispose of because the Canadian Cottons recently took that power and terminated the contract,and they are not taking it now. That would be about the limit.

Q. How about the Mille Roche Plant? A. That is the one I speak of.

Q. You have 1,000 h.p. there? A. Yes.

Q. It was stated you had 2,000 h.p. there? A. I do not think we could squeeze 2,000 h.p. out of it, not tobe definite about it, because the St. Lawrence River goes up and down so much. At the present time we cannot run our generators more than a quarter or half time on account of the low water in the river.

Q. The power you would sell in excess of the 1,000 h.p. would be from the Cedar Rapids? A. It would have to be.

Q. The town would have no source to get power from except from the Cedar Rapids or Hydro? A. That is all, and the Mille Roche power I speak of.

MR. FALLON: I have been told that at one time the St. Lawrence power served the Toronto Paper Company. Does the St. Lawrence supply the Toronto Paper Company now?

A. During the time the Canadian Cottons mill was using 850 as a minimum and 1,000 as a maximum, we had some power to spare, and we made a contract with the Toronto Paper Company to supply them with 2500 h.p. which we did until the time the Hydro came. Our contract ran out last spring on the 1st of May and since then they have been taking all their power from the Hydro. At that time we could spare a small amount.

MR. FALLON: I have been told that the power plant at Mille Roche is operated by the St. Lawrence Power Company, and I have also been told it has not been in operation for the last two years? A. The Power Plant's transformer station that we connect with our Cedar Rapids Line and Mille Roche Power House has a capacity of 2,000 h.p. equal to the Mille Roche plant. We put that transformer station in

to take the place of the Mille Roche plant when it was shut down on account of ice or low water, and it has been on the line since we installed it about four years ago. It is on the St. Lawrence System.

MR. FALLON: About one year ago I was told a deputation went across the river, and that Mr. Poste was one of the deputation to intercede with some gentlemen who had control of the Cedar Rapids power. It has been proven pretty clearly here that we have no surplus amount of power in Cornwall, and I think the people should know that. These men went over there just about a year ago, and Mr. Poste should be in a position to say what took place.

MR. POSTE: I accompanied Mr. Stiles and Col. Smith at that time and we were told at that time that they did not know of any contract between the Hydro or the Cedar Rapids Company whereby the Cedar Rapids would not supply power. The President of the Company told us that.

Q. If anyone knew it would be the President? A. I think so, and if I remember correctly he expressed himself that the Town of Cornwall would deal with the Hydro if they could get power reasonably, and if the time came that they could not get power, some means would be found whereby they could get it from his company.

Q. Did he state whether there had been an understanding with Hydro? A. He stated he did not know of any understanding, I know that. I did not know of any understanding at all. Of course the Pittsburg people have the final say.

MR. FALLON: If circulars were circulated on the streets of Cornwall that there was this amount of power available, I would like to know about that.

MR.POSTE: I have already stated that the President said that if the Town of Cornwall needed power and could not get it any other way, the Cedar Rapids Transmission Company would furnish it for them.

Q. He would give us power? A. That is what he said.

Q. Can you account for their being a lack of power here in the winter time? A. There has not been a lack of power here in the winter time.

Q. We have heard from men who have been running the mills? A. You have it from me there has been no shortage of power since the Cedar Rapids put in the sub-station at Maple Grove. There was one time when there was a temporary interruption, and the Cotton Company shut down on account of low water in the canal.

Q. What was the cause of the Campbell Sawmill failing to run? A. The real history of the Campbell Sawmill trouble I know definitely and I do not speak of anything I do not positively know. We had a line run to the Beach Furniture Company and they had a 75 h.p. motor, and Mr.Campbell had a sawmill half way between here and the Beach Furniture Company with exactly the same amount of installation, and it appears in the winter time Mr.Campbell came to a period when he had very few logs to saw, and at the instigation of certain gentlemen he complained about power not being good. I found out his motor had been giving him trouble because he had not taken care of the belt and it gave an interrupted service, and at the same time I went to the Beach Furniture Company and found they had no trouble whatever.

THE CHAIRMAN: I do not know that that is a matter that we should inquire into.

MR.FALLON: I would like to ask Mr.Poste if he did not send around and tell people to close their mills at certain hours of the day?

MR.POSTE: I remember having to pull out the switches in the old days because people would not come off at the time of the peak load.

ST.LAWRENCE POWER COMPANY.

MR.CASSELMAN, M.P.P.

I do not know of anything that I can add to what I have already said, but there is one point I would like to draw to the attention of the Commission. During the last Session of the Legislature a bill was put through making available 50% bonus where Hydro lines were serving rural communities. I take very strong ground that this bonus should be made available to the farmer who takes service from a private enterprise, and I think it would be within the scope of this Commission to look into that point. If you can see your way clear to make some recommendation on that point, I think it would do very much to assist rural communities to get Hydro power cheaper.

THE CHAIRMAN: And flat rates? A. Yes, there was a time when I would not have said that, but the more I look into this question, the more I am convinced that that is the proper system. I cannot appreciate how the Town of Cornwall can lay claim to power from the St.Lawrence at cheaper rates than the Village of Chesterville and Winchester. We are all citizens of this Province, and we have an equity in our water falls and our water powers,

and our property is held as security for the development, and we say we should have power on the same terms as the Town of Cornwall, and I think private companies should have this bonus as well as the Hydro.

Q. That would be bonusing private interests? A. It is quite feasible to devise means by which these rural transmission lines would be the property of the farmers themselves and the private enterprise would transmit the service over the lines which would be owned by the farmers.

TO COMMISSIONER HANEY:

Q. By providing a sinking fund so that the municipality would in time pay for the lines and own them?

A. Yes, and the Province pay the 50% bonus.

Q. And not get it back at all? A. No, they do not get it back from the Hydro. The purpose of that 50% bonus is to render available rural service for the benefit of the farmers. I want it clearly understood that I am not endorsing the principle of bonusing, because it is humiliating, but the Legislature in its wisdom has adopted that means of assisting the rural communities to get Hydro service, and having done that, I say the farmers should get the service from a private company in the same way.

Q. At the rate or a lower rate? A. Certainly it must be at least no higher than the Hydro, and of course as a matter of fact, in every instance, I think it is much lower than the Hydro rates.

Q. What is lower than the Hydro? A. Private enterprise service.

MR. JEFFREY: Mr. Casselman gave considerable evidence in Toronto to which I did not get a chance to answer, and

now Mr.Casselman comes up again and gives more evidence, and I still have not a chance to answer. I have some very interesting information for Mr.Casselman.

MR.CASSELMAN: The Hydro Electric Power Commission had an opportunity of answering everything I said in Toronto.

THE CHAIRMAN: No,they had not.

MR.CASSELMAN: I gave evidence in the forenoon and the Chairman of the Commission was there in the afternoon,and we tried to nail Sir Adam Beck down to a definite line and have him pay attention to what we were saying and you know how much success we had.

THE CHAIRMAN: No,Mr.Jeffrey was testifying when we made way for Sir Adam Beck and his testimony was interrupted,and then when Sir Adam Beck got through we adjourned without waiting for Mr.Jeffrey to finish his testimony.

MR.CASSELMAN: It just means that I will have to miss my train.

MR.JEFFREY: I do not want Mr.Casselman to miss his train. I can give my evidence some other time.

MR.R.T.JEFFREY.

On November 7th,Mr.Casselman put in his power bill in comparison with bills in other parts of the Province, and he now says that Hydro is higher than private enterprises.

MR.CASSELMAN: For rural service.

MR.JEFFREY: I want to correct some statements in Mr.Casselman's evidence. Mr.Casselman stated that he was billed for his service in Chesterville at 12¢ per kilowatt hour,and he compares that with certain other bills

of consumers in different parts of the Province. Mr.Casselman was billed at that rate,but he did not make the matter very clear to you that that rate was an error and that it was corrected,and his bills were corrected,and that wasnot the rate which Mr.Casselman paid,but it was the rate at which he was billed by mistake.

MR.CASSELMAN: I was billed at 12¢ per kilowatt hour for two months' service,and the bill was rendered; previous to that our rate had been just half that,and I thought it was a mistake and I took that bill to the clerk of the municipality who is the local representative of the Hydro, and I saidI thought it was a mistake andhe said,no,it was not a mistake; it was a ruling of the Hydro Electric Power Commission that where a farmer lived in a hydro municipality and took service from Hydro he must pay for domestic service at the commercial rate. There were four of us interested,and we went before the Council with our complaint,and they told us not to pay that power bill,that while it was a ruling of the Hydro Power Commission it was an outrage and absolutely indefensible,and they would protect us,and we did not pay our bills. A representative of the Hydro Electric Power Commission visited our village and he told the village clerk who was the local representative of the Hydro that we must pay this power bill,that the village council had no power to say what a consumer should pay. We never paid the bills,and they were re-rendered at the old rate,and we have been paying at the old rate. I have in my possession,but I have not got it here,I am sorry to say, a letter addressed to the clerk of our municipality by the Chief Engineer, Mr.Gaby,in which they recognize the injustice of that ruling. Mr.Jeffrey says it

was a mistake, but it was a ruling of the Hydro Electric Power Commission that was not rectified until after we had put in a vigorous protest.

MR. JEFFREY: I wish to correct that and say that it never was a ruling of the Hydro Electric Power Commission that farmers should pay their bill for domestic service on commercial rates. As I have said before it was a mistake, and as soon as it came to our attention it was corrected. This is in a town and where a farmer gets light for his house it should be at the standard domestic rate, and any service he gets for his barns or motors should be at the commercial rate, like any other power user in the town.

MR. CASSELMAN: It is my statement against the statement of this gentleman, and I am going to add one more statement. We had a meter in our house measuring domestic service and one in the barn measuring the service there, and we were charged the commercial rate on the consumption registered on both meters. These are the facts of the matter whether it was a mistake of Hydro or a ruling, I cannot say.

THE CHAIRMAN: At any rate it was reduced?

A. Yes, after we had protested, and I have a letter to that affect.

COMMISSIONER R.A. ROSS: When would that ruling be made by? A. By the Commission.

Q. On whose recommendation would the Commission make it?

A. The Chief Engineer, through myself.

Q. The ruling would be known to you before it would be O.K'd by the Chief Engineer and passed on by the Commission?

A. Yes.

MR.CASSELMAN: I would like Mr.Jeffrey to tell me why a representative of the Hydro Electric Power Commission came to Chesterville and told the clerk of our municipality we must pay these rates,and that the council had no right to say the Hydro consumers should pay such and such a rate?

MR.JEFFREY: If our representative went to Chesterville and gave that information,he did not understand the rate. The matter of rural supply is a matter that our men have not been conversant with for any great length of time. It is a new rate,and rates have been evolved and changed as we saw they should be changed,and the representative may have made a mistake,but as soon as it came to my attention,I immediately took the matter up and had it rectified. After the correction had been made and after the bills had been revised,Mr.Casselman still uses the rate that was submitted in error in making his calculations,which is not giving your Commission correct information,and that does not look altogether right to me. He should not compare rates with a rate that was submitted in error.

COMMISSIONER HANEY: Your representative evidently did not come from the source of knowledge When he went to Chesterville? A. Not if he gave them that information.

Q. Where would he come from? A. He would come from my office.

Q. I thought that was the source of knowledge? A. Not of all knowledge.

Q. It should have a knowledge of the rates for power?

A. It has,and that is the point I object to;when Mr.Casselman spoke of these rates he was comparing them with a bill that had been rendered in error.

Q. The correction might have been made after he gave his evidence? A. I think it was made some months before, and I want also to state that Mr. Casselman says he is comparing his rate with rural rates.

MR. CASSELMAN: No, I said private enterprises gave cheaper rates than the Hydro.

MR. JEFFREY: You quoted Westmount which is a suburban rate.

MR. CASSELMAN: No, it was not put in evidence in that way. I gave rural rates in Quebec and rural rates in Ontario, and I gave urban rates in Quebec and urban rates in Ontario.

MR. JEFFREY: Then there is another point. Mr. Casselman gave some of that kind of evidence that I spoke of this morning: "It has been said" and "I understand" - there is considerable of that in his evidence, and I have the actual words he used.

THE CHAIRMAN: A great deal of that kind of evidence is quite true.

MR. JEFFREY: If I gave that kind of evidence you would not stand for it for one moment. I have to speak according to the facts, and I think Mr. Casselman should speak according to the facts.

MR. CASSELMAN: I think I have.

MR. JEFFREY: I am going to show that you did not speak according to the facts. You said that it cost $2500 a mile to construct rural lines by Hydro, and I have here a statement showing the actual cost and estimates for 185 miles of rural line constructed this year, and I am going to put it in as evidence. I want to give you, before I put it in

some idea of how these prices run. I think I am quite justified in doing that as Mr.Casselman has stated "I have heard",and I asked him at the time where he heard it that Hydro build lines for $2500 a mile,and he holds these other companies up as being able to build lines at cheaper prices than Hydro. In other words he says Hydro always builds expensive lines, and than another of Mr.Casselman's statements is "I imagine". Mr.Ross asked Mr.Casselman: When you are speaking of the administration,are you speaking of the whole cost of the employees? And he answered: Yes,that are on the permanent staff! Mr.Ross asked him: You complain of the cost of administration,$5.75 per h.p.; how does that compare with private companies? And he says: I cannot say,I have no means of finding out how much it costs under private ownership; I imagine it would not amount to nearly so much. That is what I am objecting to - that kind of evidence: "I imagine". If Mr.Casselman wants to stretch his imagination,I do not see why he should put it in his evidence.

MR.CASSELMAN: I did not stretch my imagination,

MR.JEFFREY: I am going to show how much your imagination has been stretched by giving you the actual facts.

THE CHAIRMAN: He does not state that as an actual fact? A. Yes,he says it is too much.

MR.CASSELMAN: It is for you to show it is not too much if you want to show anything.

MR.JEFFREY: I am going to give you some of these figures. Hydro estimates have been criticized,and I think these figures will be interesting to you not only from an estimate standpoint but also from the cost of rural power standpoint.

COMMISSIONER R.A.ROSS: These are actual costs?

MR.JEFFREY: Actual costs taken from our books. I asked the engineer in charge to give me as many as he could get ready last night, and he took out some of the larger ones.

Q. Are these with or without the 50% bonus? A. These are the actual costs - the 50% bonus not figured in.

Q. Where you will get the 50% bonus? A. Yes, but the 50% has nothing to do with this; this is the actual cost as shown by the books - the amount of money spent.

Q. But they get the 50% bonus? A. Yes. Welland District estimated .65 miles of lice, cost $4,246.72.

MR.CASSELMAN: I thought we were going to get something definite.

MR.JEFFREY: I will give you the definite figures: Estimated $4,246.72; actual cost $3,905.17. I won't read them all; I will just read one here and there, and then I will put this statement in.

Stamford District serving 89 customers with 6.5 miles of line, estimated cost $8,027.96, that is for the primary lines, and for the secondary lines $5,161.35; total estimated cost $13,189.31; actual cost $13,177.08.

Q. That is $2,000 a mile? A. Yes, per mile. It is not that much; the estimated cost per mile is $1,235.07 and the actual cost $1,041.11, and part of that work was done in the winter time.

Q. How many miles of line did you build? A. We built 6½ miles of line for $8,~~20~~ $8,027.96.

Q. How many miles of line did you built for the $5,000?

A. That was secondary construction, that was transformers and

motors. We keep them separate on account ofthe way we have to submit these figures to the Government.

Nepean Township, total estimated cost $22,395.07; actual cost $21,093.07; 12.10 miles, estimated cost $1,287.98; actual cost $1,389.28. These lines were all constructed in 1922, all completed between April and August of this year.

Q. When were the estimates made? A. Just prior to the date the construction started.

Q. Three months prior to that? A. Yes. Dorchester serving 200 customers, 26.95 miles, estimated cost $65,960.83; actual cost $54,664.11; estimated cost per mile $1,341.13, actual cost $1,282.65. That line was completed May 31st of this year.

Drumbo serving 62 customers, 7¼ miles of line, estimated cost $16,887.84, actual cost $11,327.63; estimated cost per mile $1,258.44, actual cost $1,002.68. I could read more of these. There is one other I would like to refer to: Saltfleet, 62 miles in one township, serving 533 customers, estimated cost per mile $1,263.30, actual cost $1,598.87; in that case the actual cost exceeded the estimates by approximately $330 per mile, and that was because it was found necessary to construct eight miles of three-phase underground cables, and also on account of foreign lines. The estimated cost of serving 1275 customers on 185.19 miles was $404,698.30, the actual cost of constructing the primary and secondary lines was $349,500.42. The estimated cost per mile of line over the whole 185 miles was $1,292.56, and the actual cost $1,302.70, and the average over all this was increased 40% on account of the one township being constructed with a large percentage of three-phase overhead lines and eight miles of three-phase

underground.

MR.CASSELMAN: How does it come that the cost to the users is so much higher? A. I am goming to that. There is one point I want to clear up in connection with the matter of wiring Mr.Casselman's house or buildings. Mr. Casselman stated that the wiring of his house was done by Hydro. Commissioner Ross asked him was it all done by Hydro workmen and he said yes,and he says: I didnot know that they did that sort of work. And Mr.Casselman said they did all the house wiring - that was done by a Hydro workman and he is on the permanent staff,and he asked was he paid extra or did he do it on account of the Hydro,and the answer was:"I cannot tell you where the money went,but I presume it went to the Hydro; I know what was paid". Now,the local man in Chesterville takes care of the local operation for three municipalities. They have an arrangement whereby one man will handle the three systems thereby being able to employ a better man and get better work. They find that is more economical. That man also does work for the Commission. He is our patrolman for that particular district along the high tension lines. Therefore,he is on our permanent staff. He also does the work of wiring.

Q. On his own account? A. No,he does it for the town. He works for them. His salary is so much and he does work for them, and any money that was paid was paid to the Local Commission,andnot to our Commission. It was paid to the town and although the man was on the permanent staff,I want to make it clear that Mr.Casselman became confused.

MR.CASSELMAN: I was not at all confused. The man

that did the wiring is on your permanent staff and his salary is mentioned in the pay account, and he rendered me a bill for wiring and I paid that bill.

MR.JEFFREY: He rendered it as an employee of the local municipality and not as an employee of our Commission. He works in the dual capacity.

COMMISSIONER R.A.ROSS: Do you do any wiring in houses?

MR.JEFFREY: Absolutely none.

MR.CASSELMAN: It is strange that a permanent employee actually did the work.

MR.JEFFREY: I have explained that.

Q. He is a part time employee? A. A part time employee with us. He is paid part of his salary by the Commission for patroling the high tension lines. The other part of his salary is divided among the three municipalities, and he does wiring for them under their direction. I can see how Mr. Casselman got confused. His name must come on the permanent staff as he is paid by us.

COMMISSIONER HANEY: You consider that the most economical way to work it? A. Yes, you get better men. We get one man to handle three or four townships, and he is more satisfactory to all concerned.

COMMISSIONER R.A.ROSS: You have to have a man who is competent to handle the high tension lines?

MR.JEFFREY: Yes.

MR.CASSELMAN: I suppose you would disclaim responsibility for that inspector condemning the original wiring, and the delay in getting the new work done?

MR.JEFFREY: The matter of wiring was entirely in the hands of the local municipality; we know nothing whatever about any delay in doing the work.

Q. You know about the delay since I told you? A. I know but we know nothing about the local operation; that is handled entirely by the local authorities, and we have nothing whatever to do with it except in a general way to supervise it.

Q. Your inspector condemned the job? A. They call them Hydro inspectors; the Inspection Department is not a Hydro Department; it is a department of the Government being operated by Hydro for the Government.

Q. Is not that what Hydro does in each case? A. The inspection is slightly different. If there is any profit out of the fees it goes into the coffers of the Province, and if there is any loss it must come out of the general taxes.

COMMISSIONER HANEY: Q. The management is in the hands of Hydro? A. Yes.

Q. The men are responsible to Hydro? A. Yes.

MR.JEFFREY: Mr.Casselman also said that an approach was made by the Beach Company in connection with their lines. If you will permit me, I would like to go into that, and Mr.McLeod made a statement to which I wish to refer in connection with this matter. First there is the matter of the Village of Finch, and then the Beach Company - I would like to take them in that order if you do not mind.

It is really about eight miles to Finch, and Mr. McLeod said that the Reeve of Finch told him that the rate was $46 per h.p.

MR.McLEOD: I stand corrected on that, but before

going any farther, I think it is a great deal worse than I stated. It was 85 and they asked 106.

MR.JEFFREY: I might say that Mr.Beach's plant is located 40 miles from the Village of Finch; he is now out some 14 or 20 miles on a 2200 volt line, and just how he is going to get 40 miles he can likely explain himself.

I want to tell you what happened in Finch, and it is a very good story; you have all the requisites of a real good story: you have the villain and the victim and the hero.

MR.CASSELMAN: You are drawing on your imagination now.

MR.JEFFREY: There is fiction and fact, and I want to give you the facts now. On August 3rd, 1917, we received a letter from Finch asking for information re a power supply, and on September 11th, a letter was sent out to the Reeve confirming a visit of our engineer to Finch, and the Reeve was told to have a resolution forwarded asking for an estimate, and the letter asked the Reeve to get the farmers interested in the line between Winchester and Finch so as to co-operate with the village of Finch. A verbal report was submitted to Finch according to the report on our files, September 11th, 1917, and on October 2nd, we received a resolution from Finch asking for an estimate. On December 26th, a letter was sent out stating that the estimates were being prepared and would be forwarded as soon as the proper resolution to that affect was passed. I might say that the matter of power supply in 1917 was left in abeyance as we told them it would be well not to go ahead during the war and until prices became a little more normal. We received a letter from the Reeve, October 22nd, 1920, saying he was anxious to have the bylaw voted on

in January 1921, and a letter was sent to the Reeve acknowledging his letter and sending out copies of the bylaw and giving an estimate of the costs of the distribution system. A public meeting was held at which a rate of $105.93 per h.p. was submitted to the ratepayers. That was the first rate that was submitted.

COMMISSIONER HANEY: That was the first written rate; what was the verbal rate? A. That was a verbal rate, $105.93. That was given at a public meeting on or about November 23rd, 1920. Then another estimate was made. I may say it was a very difficult problem to get power to Finch at a rate that they could use it on, and we made a rate on a different basis to try and get a rate that would be equitable and lower than the rate we had quoted of $105.93, that would include rural and small municipalities in the district. A public meeting was arranged for December 30th at which a rate was given out, and at that time there was a revision in the rate, and we thought it could be done for $78.59. That was a tentative rate.

TO MR. CASSELMAN:

Q. Was that the rate the electors said would be charged when they voted? A. No, it was not.

Q. What was it? A. That rate was given prior to the bylaw with the explanation that there were certain conditions that they would have to meet before they could get power.

Q. They understood the rate would be in the neighborhood of $80? A. If they were able to fulfil the conditions under which the rate was given. Then after that, the rural people dropped off. We expected to get a good rural load out of

Finch, and just about this time, due to the activities of certain individuals, the farmers backed off, and we did not get any rural load, and the township decided at that time they would not take power.

COMMISSIONER HANEY: Who are the individuals? A. I have not got the names here but it would not be very hard to get them.

MR. CASSELMAN: You are drawing on your imagination now, and I expect the people will infer from what you are saying that I am one of the individuals. You would not say I was.

MR. JEFFREY: No. Our engineer met the Council on June 13th and discussed the matter of the cost of power and on conditions that a certain rural load was obtained between Chesterville and Finch, he said the power would cost about $86. We had made another estimate on the basis of certain loads in the district. Then the Commission sent to Finch a number of contract forms, and our engineer went to Finch and gave the house lighting and commercial contract forms and gave them a schedule of rates on the basis of which if they signed sufficient contracts with minimum bills, we would consider going ahead. Otherwise the Commission refused to place any line to Finch. Our engineer went to Finch on several occasions, and he visited the Reeve, and he saw the members of the village Council; he even went around to help canvass to get more contracts to see if we could not get enough contracts containing the minimum bills sufficient to make the proposition pay so as to get power into Finch on a basis on which it would be self supporting. But the rates that were in these contracts were based on power cost of $105 per h.p. We received a letter

fromthe Reeve on August 10th,1922, asking for a representative to go to Finch as they had 40 contracts for light with a possibility of a power load of 15 or 20 h.p. Our engineer went there and found the Reeve had 23 house lighting contracts, and 11 commercial contracts. A survey was made with Alderman Macdougall of the maximum 33 - 17 commercial and one power contract for 15 h.p.,and on September 29th,1922, a letter was sent by the Chief Engineer tothe Village Clerk advising them that our engineer reported that it would be necessary to have 25 h.p.,andit did not look feasible to supply power to Finch under these conditions. We never sent a contract to Finch for signature,and we never said that a calamity or any kind would fall on them if they did not sign a bylaw,and even if they had sent it,and they did not have enough business at the start to make it pay,the line would never have been built.

COMMISSIONER R.A.ROSS: There are limits to which Hydro cannot stretch? A. There are limits.

Going on to the Beach Company. The power consumers in the vicinity of Iroquois have a franchise secured from the Township of Matilda and Mountain covering a period of 40 years. The company had the right to erect a pole line from the county council of the three united counties of Stormount, Dundas and Glengarry. On the basis of these rights,the Company prepared an agreement which they submitted to the farmers in the district,andit calls for three consumers per mile at least,and the service charge is to be $2.30 per month and if there are fewer customers,the service charge shall be more. The consumption charge is to be determined by meter to

be installed and paid for by the company, and the rate for power shall be 6¢ per kilowatt hour. Then there is a hamlet electric service where four customers are served from one transformer 90¢, and where there are five or six customers served from one transformer 75¢, and the consumption charge is to be determined by meter to be installed and paid for by the company and the rate shall be 6¢ per kilowatt hour. The minimum net monthly bill to be $1.50, and in any event the rates charged shall not exceed the rates charged for similar service by any other electric system in the County of Dundas. These agreements are for five years.

On June 1st, we received a letter from Mr. Casselman stating that the Mahlon Beach Company of Iroquois had made an offer of power to the residents. (Letter read). Then on June 2nd, a letter was received from Mr. J. M. Godfrey which I will read. (Letter read). We were advised by the Beach Company at that time that there were 14 miles of line costing $21,000 or $1500 per mile, and in addition to that, the Commission would have to pay Mr. Beach $1750 for transformers which he had on hand. We were advised at that time that Mr. Beach had 40 customers, 20 of which were farmers and the rest hamlet customers. We were not advised how many paid $1.00 or how many paid 90¢ or 75¢, but we took the average at 90¢, and we arrived at the total revenue we would obtain on the basis of five year contracts, and our estimated annual cost of operating these lines under the Power Commission Act was $2,250, so that we were asked to take over a proposition with an annual revenue of $816 where our cost on the standard basis would be $2,250. That was the proposition that was put up to the Commission, and you can see why it was not accepted.

Mr.McLeod said there was something wrong with the Commission when they could not compete with private enterprises like Mr.Beach's,and I want to point out that the private individual's method of financing cannot be carried on by our Commission. We have got to pay our interest and sinking fund and look after our renewals,and we have got to operate and maintain according to the Act,and we could not possibly accept the proposition as set out.

MR.CASSELMAN: You could have at least acknowledged receipt of the letter.

MR.JEFFREY: Yes; I did not know it had not been acknowledged.

MR.CASSELMAN: Before I go any farther I feel like congratulating Mr.Jeffrey on the able and good-natured way in which he has conducted himself today under difficulties.

THE CHAIRMAN: He is always good-natured.

MR.CASSELMAN: I think it is his due,and I think there is good feeling on the part of everybody,and we ought to be able to arrive at a satisfactory adjustment of our troubles.

MR.JEFFREY: There is no ill-feeling between us and you or anyone else - not at all.

MR.CASSELMAN: A little time ago,Mr.Jeffrey accused me of drawing on my imagination for certain statements I have made,and perhaps he was justified in that,but he should have been careful not to do the same thing himself later on. In connection with the cost of building low tension lines,I would like to have Mr.Beach make a statement,and what he has to say,I think will in some measure justify what I

said about the cost of building lines. There is another thing said about the cost of building lines. There is another thing, I think Mr.Drewry will remember on an occasion I visited the Hydro Electric office when we were discussing this Beach proposition, he rather ridiculed the character of the service that Mr.Beach would be able to give, and we have a customer of Mr.Beach's here today, and he assured me just a little time ago that the service is first class and a satisfactory service.

MAHLON BEACH.

I was in Toronto this spring and Mr.Casselman told me they would like to see me at the Hydro office, and I went up there and they talked about the line, and they wanted to know how many miles I had and the cost, and I told them $1500 a mile, that included primary, secondary and transformers complete. Mr.Gaby expressed himself that that was a very low estimate and wanted to know if I would build lines for them at that rate, the same kind of line that I built for myself, intimating that theirs cost more money. Mr.Casselman wanted me to just make that statement. I did not go to the Hydro Commission and make any proposition on my own behalf. They sent for me. We are not trying to sell our plant at all; we are running it and giving good service.

MR.JEFFREY: Then Mr.Godfrey apparently did not give us a correct proposition. His proposition was that this would be turned over at cost, and he says the lines are $21,000, and that figured out at $1500 a mile, and you are asking for $1750 extra for transformers. That does not appear to be clear? A. We bought 25 transformers, and the first nine were not correct, and I refused the next 16 until they were made

over,and I did not pay for them.

MR.JEFFREY: You can see how we got it mixed up when we were asked to pay for transformers. We thought they were in service.

MR.BEACH: No,they were on the ground.

MR.JEFFREY: Our calculations were based on a total cost of $21,000. In making this report,we made it on the basis of the information we got at the time.

MR.BEACH: I understand it takes five years to get on your feet,but not on rural lines. You get 50% bonus and that calculation I have made of $2,250 includes 50% of primary lines being paid by the Government.

MR.JEFFREY: We could not possibly see where we could take this line over and make it pay with five year contracts with the loads you have there and so few contracts. On that basis there are not three contracts per mile,taking them all through.

MR.CASSELMAN: You know the character of that community.

MR.JEFFREY: Yes.

MR.BEACH: We run nine miles north and south without a customer.

MR.JEFFREY: We have that same proposition,and that is why it is hard to build rural lines.

MR.CASSELMAN: This is a community that is capable of being developed to a wonderful extent.

MR.JEFFREY: Yes,I believe it is,and I think there will be a lot of farmers take power,especially at these rates.

MR.BEACH: I do not want the impression to go abroad that I am soliciting the Hydro to buy this system because I am not. I was invited to go up and see them, and they wanted a proposition, and I gave it to them.

THE CHAIRMAN: You were asked to make a proposition? A. Yes.

MR.JEFFREY: We have nothing on file other than what I have here.

MR.BEACH: I got word verbally from Mr.Casselman; he said they wanted to see me up at the Hydro office.

MR.JEFFREY: There was a letter from Mr.Casselman putting the proposition up to us and then of course you came up, and then your solicitor made a definite proposition.

MR.BEACH: If I went home and that proposition got abroad, they would assassinate me, if they thought I was going to sell out to Hydro.

DR. GEORGE COLLISON

I was particaly interested in the promotion of this Beach line through the municipality when the first Hydro Commission was appointed, and we were led to believe that we were likely to get some definite proposal from the Government in aid of that line. We started in 1920, and then we saw that we were not going to get anything definite, and we decided to have Mr.Beach promote the line and go to work privately. They were going to go down to a central point in Matilda, and they came down and laid their plans before us, and they would not give us any estimate at first. When we told them we would not agree to anything until we got

an estimate, we got an estimate at $119 per h.p., and 11¢ per kilowatt hour, and we told them it was impossible for us to get farmers through this district to take power on that basis, and the Hydro representative gave us a very limited explanation of the whole situation, and I finally told him it would be impossible for us to consider the proposition at all. He made a mistake, we thought, when he said to me, "If you ever get electric light and power through the Township of Matilda you will get it from Hydro". That is not hearsay evidence; he stood up by me with his hands on my shoulder and he made that statement, and there are people in the community who will substantiate that. That was rather arbitrary, and we decided we would try and go on alone, and we did so. The service up to the present time has been perfectly satisfactory. In fact I have heard several who are using the service say that they never saw anything better, and I know that the lines going through to Winchester and Chesterville paralleling this line at times is not just perfect - possibly the transformer or something is wrong, and things sometimes happen that they have no control over, but we are perfectly satisfied with the conditions, except that we believe in general that electricity which is developed by water power belongs to the people just the same as our forests and our mines, and we believe it is unjust to the rural municipalities who are attempting to lighten their burden; something should be done to assist the rural constituencies in promoting this proposition. We do not believe it is fair that parties who are living close to a line should monopolize that line, and use it for their own special benefit. They have a right to pay a certain royalty for the

use of that power, and that should be used for the benefit of those who are at a distance from the plant.

I am a firm believer in Hydro, but I am not a firm believer in Hydro as it is administered under present conditions where a man who is a long distance from the natural source is not getting the benefit the same as the man who lives near the source. I think it is the duty of the Government to see that something is done in rural municipalities in order to give them the advantage of the natural resources that are utilized by special individuals instead of by the people as a whole.

THE CHAIRMAN: Don't the owners of private lines charge less if a customer is near the power supply?

A. Yes.

Q. It is not the power they charge any more for, but it is the cost of carrying it over the country?

A. No, it is the cost of constructing the line from the power plant, and that is the reason Mr. Beach is able to give it to us so much cheaper than the Cedar Rapids Company. He has no long line to construct, and for that reason he is able to give us a much cheaper rate.

Q. Does he sell it to you at the end of his transmission line at the same rate as at the point of production?

A. He has only been able to construct a few miles.

Q. 20 miles - does he charge the same rate all over that?

A. I understand that the people would nearly all be in the municipality; it is practically the same.

Q. So that it is a flat rate? A. Yes.

Q. The people of Cornwall appear to be favorably situated here; do you think the people of Cornwall would be satisfied if the

rate paid in Cornwall were paid 100 miles northwest of here?

A. No.

Q. They would have to pay more? A. I do not think so; the rates should be different. I say the cost of construction should be added. I am not talking a flat rate - not by any means. I do not believe a flat rate is just, but I believe the cost of construction should be given to aid a man who is a long distance away so that he could compete with a man right at the site of the power.

Q. Do you think the present legislation goes far enough, that is, the Government pays half the cost of rural lines?

A. Possibly it does but you see where the difficulty seems tobe; they first say, "We will give you 50% of the cost, but it must be under Hydro". Now this is a private plant, and we want to devise some way by which private plants can get the benefit of the cost of construction as well as in an area where the power is under Hydro.

THE CHAIRMAN: If the Government gave a grant to a private line, it would be the property of the private individual and the ownership would be in him? A. Why don't the Government own the line? Let the Government own them, take them over and let it be utilized by the Government along that line. Why should it be given to Hydro and not given to any private party that is furnishing a public utility?

Q. If they give a grant to Hydro, it is semi-public ownership. I understand you to say you would not have the Government give it to private individuals? A. No, let the Government own that. Surely they can formulate some plan whereby they would have control over that line. We know country districts are suffering today on account of public utilities ~~xxxxxx~~ being

centered in the large centres and offering inducements to the young men to leave the farm.

Q. There has been far more money spent in rural districts in the past few years than there has been in the cities in the matter of good roads? A. But we are paying for it.

Q. The Province is paying for it and the people of the cities and towns are paying for it, and they are using the roads?

A. Yes, but don't you consider the rural districts should have their share.

Q. Yes, and they are getting a great benefit from them?

A. In the eastern part of Ontario we have been very much handicapped for good roads and electricity.

Q. There are a comparatively small number of rural lines owned by private individuals? A. I am not conversant with that part of the question. I have never made a study of Hydro or electricity other than our own private line through our section of the country. I am not opposed to Hydro; I believe it is a good thing, but it has been catering to the large centres to the disadvantage of the rural sections. It maybe possible it will be better and we are in hopes it will. I am not in favor of a flat rate; I do not think it is feasible. The Winchester Spring's end on the Chesterwille line made application sometime ago for connection with Hydro, and they cannot get it, and one of the influential men of that town asked me to ask why they did not get it.

MR. DREWRY: The answer to that, Doctor, is the same answer we gave about Finch today. Unless you get rural service and a load established that makes it economical and a feasible proposition, we would advise against undertaking it.

I think we might get electric service in there, but we have canvassed that municipality, and I think we only got 14 contracts, and you cannot go far with 14 lighting contracts.

DR.COLLISON: How is it you furnish Williamsburg?

MR.DREWRY: There are 60 contracts in Williamsburg, five times as many - and 60 contracts in a Police Village, and if they can produce an equivalent in the Town of Winchester Springs, we are ready to go ahead tomorrow.

MR.JEFFREY: Speaking for the Commission, we will extend lines to any municipality that wants power where we can see some reasonable prospect of making it pay. We certainly will not recommend the construction of any line to any district where we cannot see daylight, and where we cannot see sufficient revenue to make it self-supporting. All we get for that is criticism.

DR.COLLISON: You will get that anyway. When we were promoting our scheme and everything seemed to be harmonious, why was it that Hydro came in there and had a blue print ready for us, saying you would go from Williamsburg so many miles and cut the line in two?

MR.DREWRY: Anything submitted to you on a blue print was not the final scheme. We canvassed all the district and we knew what the farmers would do, because we canvassed them all, and we knew those who would take power and those who would not take it

DR.COLLISON: There is a large rural population south of us, and I said to him: "How do you propose serving these people?" And he said, "We cannot serve them yet; they will come in in time". Then when we took the west side of the

municipality they were prepared to take Mr.Beach's power,and I said,"What will we do with these; they never can get on that section of your territory"?

MR.DREWRY: That may have been an error on the part of our personal representative; it may have been an error in judgment.

---Adjourned at 6 P.M. until 7:30 P.M.

---7:30 P.M. RESUMED.

COL.MALLOY.

The first thing I want to touch on is what Mr. Beach was speaking about - the letter of Mr.Godfrey. As I had some personal responsibility in it,I think I can explain it. I helped Mr.Beach in addressing farmers' meetings and getting some contracts signed up and getting the idea put through Matilda. The proposition upon which he based these practically contingent prices was the promise of the Government that rural lines would be given 50%.

THE CHAIRMAN: Is not that a matter of legislation?

A. Yes. Mr.Beach went to Mr.Drury and Mr.Drury said,"Yes,if some way can be arranged,so that it would not be in the nature of giving an interest to a private concorn",and Mr.Casselman took it up with them and he got a private bill which was postponed until some way could be found of arranging it. In this connection Mr.Godfrey got into the matter. We have in the County of Dundas two main transmission lines north and south, of the people living on the east and west lines. You heard me ask Sir Adam Beck if he would co-operate,and he said he would. The reason I did that was that there could be no bonus given,no matter how you will guard against it, in the interest of a private company unless it is approved of

by the Hydro Electric Power Commission, and I think it is a matter of sufficient interest that this Commission should give it attention today. Here we have, I consider, a perfectly feasible proposition. These east and west lines are distribution lines and should be the property of the municipalities, the townships, and the other line would be the trunk line, and Mr. Beach who has a franchise for 30 or 40 years, if you like, can own the transmission line. Say it costs $1500 a mile to build this; 50% of that would be $750. It can be secured by a bond, and what Mr. Beach means is that he is perfectly willing to capitalize his plant, and after paying the operating charges and fixed annual charges, with the ordinary return on the capital invested, apply the rest of it in retiring these bonds so that in 30 years the bonds would be paid for. That was the system I had in mind when I asked Sir Adam Beck if he would co-operate to that extent. As the Act stands now, it must be with the approval of the Hydro Electric Commission. They can bonus them now with the approval of the Hydro Electric Commission.

MR. CASSELMAN: No, they cannot; it would be necessary to have new legislation.

COL. MALLOY: The Legislature is perfectly willing to give the bonus to the farmers provided it goes to the benefit of the farmers; so long as it does not add to the property of the private corporation. I say that scheme is feasible and can be worked out.

Q. Hawe you submitted the private bill? A. Mr. Casselman had a private bill prepared.

MR. CASSELMAN: That bill was really out of order.

We knew that before we presented it, but we wanted to get it on record. We had the scheme all right, but we had not the requisite support. We have a pretty good inference what the attitude of the Hydro will be in the matter.

Q. Do you think it would be favorable? A. Unfavorable, I would think.

MR.JEFFREY: Of course the matter of power supply to rural districts whereby the Government gives 50% bonus on the cost of the primary line is one that is of vital interest to the Government, in that in paying that 50%, the Government is taking over really the ownership or part ownership in these lines. I am talking from a common sense standpoint, not from what the Commission would decide to do, but from my knowledge of it - and I have considerable knowledge of the rural situation - the Government could not very well, as I see it, give a bonus on rural lines unless they had some reasonable assurance that these lines were going to be self-supporting, and I believe that the Act would have to provide wherever any bonus was given that there would be a certain standard lived up to or kept up to in connection with the operation of these lines. They could not demand one standard from Hydro and another from a private company.

Q. Do you mean in the way of a sinking fund and maintenance?

A. Yes, and I think if we could get down to a common basis of financing so that they would all be on an equal basis, then the Government would have some grounds for giving the bonus, even to a private company, but they would, I think, have to have an assurance that these lines were financed to take care of their interest, if they would give the 50% towards it. I can

where the difficulty comes in,as I pointed out,in the Commission taking over the lines of the Beach Company. The lines of the Beach Company have not yet got sufficient revenue to make themselves self-supporting on the basis on which the Act calls for the Hydro to provide.

MR.CASSELMAN: The Beach project is in its infancy, but it has potentialities as you know for the development of a comparatively inexpensive system. You say the Government must be sure that there is justification for any outlay. I want to compare this project with what the Hydro Electric Power Commission did in the Nipigon.

MR.JEFFREY: I am speaking of rural districts only.

MR.CASSELMAN: I think the Nipigon is a parallel case.

MR.JEFFREY: That involves the matter of policy of constructing lines in order to encourage the use of power,or to help the district. I cannot talk of matters of policy,and I was trying to throw out a few suggestions to show that any line,as I see it - and I have talked this over with Col. Carmichael who came in to see if there was any line of work that he could adopt in connection with this,because the Premier had instructed him to investigate the matter,and he came up to see me personally about it,and I gave him my ideas for what they were worth - and I think you will have to get some common basis of financing before you can get common recognition from the Government in connection with paying part of the cost of the line.

COL.MALLOY: We propose doing that.

THE CHAIRMAN: The Government would have to get back the 50%.

COL.MALLOY: No, I was thinking of retiring the bonds.

MR.JEFFREY: They have part ownership in the line when they pay the 50%. It is the property of the Government. That 50% is a bonus.

MR.CASSELMAN: The situation is that the Government has, by legislation, agreed to pay 50% of the cost of the low tension lines where they are built by Hydro, and the Government does not claim any part ownership in these lines.

MR.JEFFREY: They claim an interest in these lines. I do not mean a financial interest, but we have to show these lines are self supporting before we will get the bonus.

THE CHAIRMAN: They would not require to receive such a large measure of support as if they had to pay back the whole of the cost.

MR.JEFFREY: I might state here that the matter of rural power supply is the most difficult that we as engineers have to deal with, for several reasons: one reason is that we had no data to work on. In connection with the ordinary distribution of power, you have case after case to go by. It has been the common practice all over the country and over other countries for years and we have that common knowledge to help us in a solution of the problems, but when you come to the distribution of power to farmers located a long distance apart, with small blocks of power and expensive lines, where the farmer has not got the normal use for power, you have run up against a problem which is an economic problem. There is a limit beyond which you cannot go. The farmer can afford to pay so much a year for that service; his income is limited; he does not deal so much in dollars as in grain and

and hogs and beef. He has to watch every dollar he spends. More and more it is goming to the time when the farmer has to consider his wife a little more than he has been doing, and he has got to get conveniences and to do something to keep the young people on the farm, and he has got a telephone and an automobile and other conveniences, and power is another convenience which will help the housewife and help to do the work around the farm, and he wants that, but there is a limit beyond which the farmer cannot go in price, and we have found that you can only get so many hundred-acre farms in a mile of line.

Q. What is the limit? A. Three consumers per mile.

Q. In dollars? A. When you get up over $100 per year to the average farmer, he backs away from it.

MR. CASSELMAN: You are speaking about the use to which the farmer can put electric service. You know that in Western Ontario, in London and other cities, they have been encouraging the use of electric ranges in the homes in order to help out the fuel situation, and that same situation exists in rural Ontario to practically the same extent as it does in the town and cities. You will extend the use to which the farmer can put electric energy if it is placed within his reach, and he will use it for cooking and other purposes.

MR. JEFFREY: We are trying to do that. If the price is within his reach, he can afford to pay more than $100 a year.

THE CHAIRMAN: The more extensive is the user, the easier your problem will become.

MR.JEFFREY: Two years ago during the summer, I sent out all my staff that I could spare to make an investigation of the different districts in the Province. They went out and walked over a number of townships and visited every farm in the township. They went to the Township Clerk and the Reeve and got a list of the farmers and found out the men that owned their farms, and made inquiries, and made inquiries as to what kind of farmers they were, to find out whether they were prosperous or not, and they went from farm to farm and took maps and plotted on the maps the good prospects for power and the poor prospects, to see how many farmers in each district would take Hydro power if it was available. I think we visited some 20,000 farms that summer, and on the basis of the information which we obtained in that way - and of course we had to depend more or less on the opinion of the men we sent, and most of them were farmer's sons and had lived on farms and knew something about farming - on the basis of the information we obtained, we figured we could not expect to get more than three farmers per mile of line, on an average, in the regular farming districts.

THE CHAIRMAN: There would be six or seven farms to a mile? A. Depending on how their lands run. Sometimes if they run across lots, you would have five farms in a mile and a quarter; if they run along the lots, you would only have two. You might run for miles and only got two or three farms, and then have to run east and west to strike the houses. There would be quite a few miles where you would have practically no farms.

Q. What proportion of the 20,000 would take power?

A. I do not think there would be over 50%, probably 60%. I have the information at the office. I do not think Mr. Beach can hope to get on an average more than three to the mile, and if he does not get more than three, he has got to get sufficient revenue from these three to make the line self-supporting. If he has only a revenue of $90 a mile, he has not sufficient. I think economically Mr. Beach's proposition is not sound because his rates are too low.

COL. MALLOY: You have your rates so high that the farmers cannot possibly take it. Mr. Beach has three per mile, and if you heard how they are calling for him to put the lines down and the way they are wiring their houses, he will have six per mile, and as the rates drop after the first kilowatt hour, they will be able to use all kinds of electricity.

THE CHAIRMAN: A Government grant of half the cost of the line will enable you to serve districts where you could not go if you had to pay the full cost?

COL. MALLOY: Exactly.

Q. So that you will only have to provide for half the cost.

MR. JEFFREY: I want to explain the difference between the way Mr. Beach handles his proposition, and the way the Commission are compelled to handle theirs. Under an amendment to the Power Commission Act, the Commission is ~~has~~ authorized to divide the Province into rural power districts, that is regardless of township boundary lines,

and in those districts the rates are flat rates to each particular class of service, dividing the service into seven different classes, and the hamlet service into three more, so that over the whole district the Commission must extend the line wherever they can get three per mile. In Mr. Beach's case, he can go wherever he likes and leave the rest. We cannot do that.

COLMMALLOY: His is the sounder proposition.

MR. JEFFREY: It would be in this district, but the proposition is such that he can only pick the fat districts, and part of the township will not be served.

MR. CASSELMAN: He can go to any farmer if he is willing to pay the extra cost.

MR. JEFFREY: Then you come back to the proposition of discrimination; one man will have to pay more because Jim Jones won't come on. It is all right in the fat districts, but you are serving the people and we have to serve them all alike and serve them at the same rate, and he is going to have a different rate where the farmers are stretched out. He will have one rate - and where they are close together another rate, and we cannot do that.

MR. BEACH: You do not serve them at all.

COL. MALLOY: Your rate is too high.

MR. JEFFREY: I doubt if he will have enough to pay for his power.

COMMISSIONER HANEY: How much power can Mr. Beach generate?

COL. MALLOY: About 550 h.p., but there are eight openings in the weir, and he has not opened them all up. According to Mr. Holgate, by enlarging the openings in the

weir slightly, he will be able to develop 2500 h.p.

Q. Is that good for the winter as well as the summer?

A. Yes, better in the winter than in the summer.

Q. How much power are you using on the St. Lawrence System now, Mr. Jeffrey?

MR. JEFFREY: Pretty close to 5,000.

Q. Are you obliged to buy all the power you required from the Cedar Company, under your contract? A. No.

MR. CASSELMAN: There is an idle plant at Morrisburg capable of developing 500 h.p.

COL. MALLOY: We have a perfectly sound proposition for a good service if practical ways and means are found to develop it.

THE CHAIRMAN: Do you propose that the Government should pay half the cost?

COL. MALLOY: I think the municipalities should own their cross line, and the Government pay half the cost of construction by a 50% bonus.

Q. And the municipalities the other half? A. If you like.

Q. Would they put up the money? A. They are offering to bond the line in all directions. Supposing we sold bonds on the other half; I have enough faith in this system in the county and in the amount of electricity that would be used, to say that there would be sufficient over and above operating expenses and fixed annual charges and a return on the investment to provide a sinking fund to retire these bonds in 30 years. The Hydro Electric says they ~~are~~ will co-operate - how far? Will they come together and discuss that matter?

COMMISSIONER HANEY: How much power is Mr. Beach selling now? A. He has a couple of contracts at 30 h.p. each.

Q. How much is he selling altogether? A. 60 h.p. - I do not know what the rest of the customers take. It is just in its infancy. He has been three years getting his charter and franchises.

Q. The Hydro Commission bought his power for a certain time? A. For three years they bought his whole output.

Q. Who would fix the rates on the line?

A. There is another thing. I am not proposing that the County of Dundas should leave entirely to Mr.Beach the fixing of rates. I think you will find these system throughout the whole Province: you have what I told you in Toronto,we consider,a very extraordinary situation. We have clothed the Commission with powers to expropriate, and I furnished you,I think,withsufficient evidence of the threat that I do not think my friend,Mr.Jeffrey,has upset yet,where power was used to coerce and induce a competing concern to give power below cost,andyou had evidence given,somewhat reluctantly,that the Hydro is using its powers to put the guns to an industrial concern to take that concern away from one municipality and put it in another.

Q. What bearing has that on rural lines? A. It just comes to this: unless we have something in the nature of a public utility board - something that will function along the lines of the Dominion Railway Board -

Q. Why not the Provincial Railway Board? A. That would do if it is clothed with the proper power. Hydro is a

competing concern with other private enterprises.

THE CHAIRMAN: What you are speaking of now is aid to private lines? A. There is where it will come in. If there was some body to regulate the rates charged, it would cover the difficulty. I would not propose for a moment that the user of these lines which the Government gave a 50% bonus to, would be left to Mr.Beach or anybody else to fix the charges; that is what Hydro was originally intended for, but Hydro has dropped from that high estate and is competing with all the private enterprises in the Province. Dr.Collison told you when we went to get the Beachpower we had to fight the Hydro engineers. I was interested in getting the bylaw in Iroquois. Mr.Beach said, "I will give you your power". They use 100 h.p., and it is costing them $65 to run that municipal plant, and Mr.Beach said, "I will give it to you on a flat rate of $1600 a year, and I will supply industrial power for ten hours a day for $10 per h.p.". That was the rate in the Village of Iroquois where the plant is located. We got 63% of the electors but did not get the 66%, and we had to fight the Hydro engineers right in that bylaw campaign, and these things are not right.

Q. What about rural lines; does not it strike you that there is some difficulty in the way of the individual contributing to their cost? A. I would ask you to note the fact that I was asking co-operation from the Hydro and it was promised.

Q. In what way? A. To see if we could not get a system even if it was based on the Beach plant. I feel we should

have co-operation with the Hydro. I feelthat the proposition is sound. Mr.Jeffrey says we must come down to an even basis of financing.

THE CHAIRMAN: I do not understand what that means? A. If it means we must charge the same as Hydro,we must quit.

COMMISSIONER R.A.ROSS: You are asking the Government to contribute half the cost; supposing they contribute half and have half ownership,and supposing that they eventually turn it over to the people living on these concessions; that would be near the Hydro scheme?

COL.MALLOY: The Government to take on the whole cost - that is a good proposition. I know the Legislature is perfectly willing if we can provide a feasible scheme, to opeperate with us.

THE CHAIRMAN: Are there any other plants like yours? A. No,I do not know of any.

MR.CASSELMAN: There is one at Cataract,and one at Renfrew.

THE CHAIRMAN: They are all small undertakings.

MR.CASSELMAN: The one at Cataract has a line in three different counties.

Q. Might it not be best to do it all through Hydro and give them this grant and let it all be under their management? I think you would find strong objection to the Government providing a large Government grant to private concerns.

DR.COLLISON: We asked them to give it to the rural municipalities. I do not want Mr.Beach to get the benefit of this proposition to the full 50%. We want to devise

some scheme by which the rural population of this Province can benefit by having electric service.

COL.MALLOY: Even though they are served by a private electric company?

THE CHAIRMAN: Then you would be prepared to supply power for them at a rate fixed by the Railway Board?

COL.MALLOY: Yes, the Ontario Railway and Municipal Board. We would want some impartial board to which an appeal could be had.

Q. How many miles of rural line are constructed now?

MR.JEFFREY: Before the Power Commission Act was amended, we had something over 500 miles constructed, and since that time I think we have constructed 500. We must have somewhere around 1,000 miles of line constructed to supply the rural population.

Q. Is it liable to increase? A. Contracts are coming in now as fast as we can take care of them. I submitted a memorandum the other day for the proposed construction during the coming year on the basis of contracts which we had signed and which we expected to get signed, and I recall, although I am not exactly certain now, I think it was something between 300 and 400 miles for next year.

Q. The demand is increasing? A. It is not increasing but coming at a steady rate. We get contracts by the dozen right along from districts we are now serving, and also new districts at the rate we are now charging.

COMMISSIONER R.A.ROSS: Have you had any application like this from other districts?

MR.JEFFREY: In connection with a private company?

There was one application not exactly similar to this, the Cataract Company of Orangeville. The Cataract Company is in the Northern part of Peel County. We have had applications from municipalities that they be allowed to have the bonus and I believe there is an amendment to the Act supposed to take care of that, but as far as I can see it is not workable. That is where a municipality like Barrie or Orillia where they have a proposition to construct a line out into the township to supply rural users working with them, can do that and get a bonus the same as Hydro. I believe Hydro would be quite willing in that case to approve of it. I think if the municipalities will become interested instead of the private companies that you will have more chance to secure the bonus than you would as a private individual. My own personal opinion is that if the township would take over these lines and operate them as a municipal undertaking, you would have a great deal more chance. If they were financed by the township, you have more chance of getting assistance than you would with the lines being owned by a private individual; that is just my private opinion.

COMMISSIONER R.A.ROSS: If you had these lines constructed and a bonus paid by the Government and constructed on the standard of Hydro, then how would the company do any better than you could?

A. They could not.

Q. By putting it through your hands, you would get rid of any obligation? A. That is exactly what I think, although I am not suggesting that. I am speaking unofficially.

I said get the township to take it over,and it all comes to the same thing. I do not think you would ever get the Government to approve of one method of financing for one municipality and another method for another,and get them to bonus these lines to the extent of 50%. I think you will find it will have to be on a common basis.

COL.MALLOY: If you runa a line back there,you have to come off this line that you have spent $100,000 on.

COMMISSIONER R.A.ROSS: Supposing the Hydro can buy power from Mr.Beach and charge power at the same rate that Mr.Beach charges,what is the matter with that?

MR.JEFFREY: I see nothing wrong with it.

COL.MALLOY: The people in that district would say immediately the Hydro took hold of it,the cost would mount.

MR.JEFFREY: Do you know why? Let me read a little "AD" of the Beach Rural Electric System: "We desire to point out to those who may be interested,that the Beach Rural Electric System under the franchise has now constructed its transmission line through Matilda and Mountain Townships at approximately half the price estimated by the Hydro Electric Power Commission of Ontario for similar service in this district. The municipalities desiring to have advantage of this service next year should impress upon their respective township councils the necessity of taking action in time to have the necessary bylaws submitted on the same day in January as the municipal election. This means the first reading of bylaw must take place not later than the first council meeting in December", and that is signed "The Beach Rural Power System,Mahlon Beach,Iroquois,Ontario." You asked me why the people immediately say: "If Hydro takes

hold,it will cost more".

COL.MALLOY: We are offering it at half.

MR.JEFFREY: They know it because you have told them it. In the other districts in the Province where your influence does not envelop them, they do not know it,and they take it and they are quite satisfied,and it is a financial success.

COL.MALLOY: What could tell them better than anything else was your estimate for power in Chesterville and Winchester.

MR.JEFFREY: That may have had some influence, but what told it to them was what was being circulated and spread broadcast by parties interested in the Beach Rural System. I am not criticising the Beach Rural System, but you brought this on yourselves. You told me when you started in you hoped I would say something so that you could have a fight. I kind of like a fight myself. You just dropped a chip here, - and I think from Mr.Beach's standpoint it is a good "AD".

COL.MALLOY: I drew it up.

COMMISSIONER R.A.ROSS: There is another solution of this question: we are chasing the devil around the stump in various ways.

MR.JEFFREY: I think we are.

COMMISSIONER R.A.ROSS: Is there anything in this proposition in chasing the devil in that direction and by chasing him in this direction,instead of bothering him about ownership or anything of that kind - if Mr.Beach or any other private owner wants to construct his lines and says to the Government "Bonus them in their consumption

instead of owning the property, and in all applications of that kind, give a rate of 20%, 30% or 40% of the cost that they actually pay". That would simplify things a lot and the Government would not be tangled up in the ownership.

MR.JEFFREY: That is, you would determine what the cost was and what the proportion of the 50% would be to the consumption charge and deduct that from the consumption charge? That is another matter. I might say this, and I want Mr.Casselman to pay attention to what I am saying, I think you will find that as I have said the rural problem is one of the hardest problems we have ever had to tackle, and I think you will find the Commission have an open mind for any suggestions that anybody can make that will show us how to do it financially and from a physical and operating standpoint.

COL.MALLOY: Supposing next year Mr.Beach proposed to offer you power at Winchester and Chesterville for $45?

MR.JEFFREY: We already have a transmission line constructed to serve these places, and that capital is spent, and these towns are operating, and they have also entered into partnership with Williamsburg and Prescott and Brockville and all the other municipalities, and if we let them out and let them go by themselves, you can see what it would do to our system.

COL.MALLOY: It would be very bad.

COMMISSIONER R.A.ROSS: Where are you going to end in financing. There is an economic radius within which you can operate and pay your costs. If you extend that radius by artificial methods you merely get an increase

of the radius over which you have more trouble than you ever had before, so that the farther you go beyond the economic radius in artificial methods, the more trouble you will run yourself into finally.

MR.JEFFREY: They will have to go on looking for more artificial help. It seems to me this is something the Legislature might give some consideration to.

COMMISSIONER R.A.ROSS: The bill is not equitable as it is today, when they give an opportunity to those within the radius of Hydro and nothing to a deserving farmer who is within the radius of a private company.

MR.JEFFREY: You will find the Commission quite willing to buy power from the private companies, and that is being suggested now around Bronte and Oakville.

COMMISSIONER R.A.ROSS: We have had a number of examples of private companies serving power within a limited radius around their own district. These companies should not be crushed out, but they should be fathered.

THE CHAIRMAN: I think you will find the Legislature will be unwilling to pay any share of the cost of a private enterprise.

MR.JEFFREY: As the Hydro rural scheme is a new one and one, as I have said, which has been difficult and may have to be changed at some time, the Commission cannot do otherwise than keep the rates at a safe figure because just as soon as we start to increase the rates to farmers, we are going to get Hail Columbia, like we have been getting from some of these municipalities, and we have enough

trouble now without looking for more. I think the scheme of going ahead sanely and safely and from a secure financial basis until some better scheme is arrived at or worked out is all we can do at the present time. We have gradually got it up to where it is,and it is working out in some districts where they are not educated to Beach power like Mr.Beach's company coming along and giving the idea he is a philanthropist. I am afraid that a few years from now he will begin to think he was a philanthropist.

MR.CASSELMAN: The proprietor of the Cataract has published a report to the affect that he is giving a satisfactory service and that it is a financial success and his lines extend into parts of other counties.

MR.JEFFREY: If you ever saw his system ! We have very intimate knowledge of the Cataract Company. It is up near Orangeville; they have a plant which is on its last legs,and if it ever got a good shot it would go through the roof. The Cataract have lines in Halton without a franchise,and they are in such shape that they are falling down. The poles are so rotten that the linemen are scared to go up them,and the whole system is just hanging together, as it were,by binder twine. They have approached us and want us to buy them out. The system is giving a service but not a good service. It is not a good system by any means,and they admit it.

MR.CASSELMAN: The Hon.Manning Doherty has said they are giving a cheap service. Are not the Hydro lines in the same position?

MR.JEFFREY: No,we have maintenance and depreciation reserve,and we are keeping our lines up. As it is,the

Cataract Company are getting revenue at the expense of the plant. They are not keeping up the plant, and it is a very small plant, only 400 or 500 horsepower.

J.F.AULT, Reeve of Winchester.

Mr.Chairman and Gentlemen:

I have heard more about Hydro this afternoon than I have heard in a number of years. I noticed while in Toronto a couple of weeks ago, picking up the paper one morning, that there was a deputation that waited on your Commission there, and I noticed that Winchester had been mentioned as being opposed to Hydro. I never got an invitation to attend that meeting, and had no knowledge of it at all. I felt at the time I should have had. However, it is always nice to have good neighbors - somebody that can do the work for you.

I want to go back to the time when a private company owned the light plant in the Town of Winchester. They ran for a number of years and gave such poor service that the people became dissatisfied. We immediately took some steps to try and get something better, and we wrote Hydro and we also had a proposition from the Beach Company to furnish power for the town and a factory there. Personally I had nothing to do with the matter, but after consideration the town decided to take a vote on Hydro, and if I remember correctly, we only had 16 votes against it. I do not remember what the power was quoted to us at, but we voted, and if I remember correctly we had 16 votes against Hydro. We were issuing debentures at the time for $10,600 to erect our lines, and we did that, and when the

$10,000 was used up, we had extended our lines as far as the debenture money would permit us, and then we were out of money. The old plant that was running there served 56 ratepayers. Things looked blue. However, when we ran out of money, the Council got together, and they said, "We will go on and wire the houses, and we will extend the plant, but we will borrow no money, and we will take it out of Hydro".

THE CHAIRMAN: How did you do that? A. Out of the earnings, out of the revenue of Hydro, and today you will see by your blue books, according to the last audit of 1921, that we have spent over $9,000 more than the $10,600, and it is all paid for, and we do now owe Hydro today one dollar, and they owe us approximately $1800, according to this year's report, when it will come out. We feel that a knocker cannot get anywhere, and we went to work to boost, and from 56 users of the Hydro under the old system we have today 284 users.

At the end of the war, we got a bill from Hydro stating that we owed them $4600. I was Reeve at the time and I thought it was a very funny procedure that the Hydro would allow us to go on year after year, and then at the end of a number of years, send us in a bill for $4600. I immediately said to the Council when the Hydro engineer presented the bill: "We will never pay it". We thought it was ridiculous, and we did not think it was good business. I went to Toronto and consulted the Hydro engineer, and he told me there was an audit on at the time which had extended over a period of two years, or something like that, and they found we had run behind $4600 in that time, and they

jumped our rates from $43 per h.p. to $85. Now, you can imagine how the people would go up in the air when they were told they owed Hydro $4600, and when our rates were jumped from $43 to $85. Last year our people got very much diddatisfied. However, we promised them a statement from the Hydro Electric from the very first year and from the first day that the lights were turned on until the end of 1921. That statement was published in our newspaper, and by the way if you care to read it, it is there. The word has gone out that we pay $85 per h.p. for our power, but I do not consider that is correct. Last year when we paid $85 per h.p. for our power, we were paying too much, so much so that we had over $1500 applied to our indebtedness, and that brought it down to something over $1400. If you figure that in, you will find we are only paying $67.90 per h.p., and included in that we have our debentures, and we have paid seven years of our debentures and interest, which amounts to over $5,000, and we have paid the sinking fund. We opened up the Hydro office in our town, which is open for inspection at any time, and that Hydro office has made us a profit. We furnish the wires and carry all equipment for wiring the houses, and we found last year when the audit was taken that we had made out of that Hydro store a profit of $400 and some odd. I said to the Hydro Engineer, "I think the best thing we can do with that is to write back the high priced invoices as far as possible and give it back to the people because they are getting pretty well taxed", and he did that. So that you see we did not make any money in that way.

We owed Hydro at the end of last year, 1920,

somewhere over $1400, and I just got from Mr. Drewry today an estimate of how we stood this year. When the $1400 is wiped out, they will owe us pretty nearly $1800. Now in the face of that, you see we have made a success of our plant, and I cannot conscientiously say that Hydro is a failure although I for one would like cheaper power if we can get it. I think that is a thing that possibly can be worked out, but at present we have our store with a stock and unpaid accounts in the neighborhood of $3,000, and that is practically all paid for. We owe Hydro either one or two months' power account, and that is the condition we are in today.

THE CHAIRMAN : How much power do you take?

MR. DREWRY: They take approximately 90 to 100 h.p. This time of the year it will be over 100.

MR. CASSELMAN: In your opening remarks, you mentioned about a deputation from down east appearing before this Commission, and that some neighbor had been good enough to tell the Commission that Winchester was dissatisfied with Hydro. Is that right?

MR. AULT: I said I saw it in the paper.

MR. CASSELMAN: I presume by your neighbor you meant myself?

MR. AULT: No, I did not mention any person. Sometimes conscious does not need any remark.

MR. CASSELMAN: Every word I said was recorded, and if it can be shown I said Winchester was dissatisfied with Hydro, I would like to know it - or that Chesterville was dissatisfied.

COL. MALLOY: Dissatisfied with prices.

MR.CASSELMAN: I heard you say at the last meeting of the County Council that Winchester and Chesterville were dissatisfied with the rates.

MR.AULT: Became dissatisfied with the rates when they jumped to 85.

MR.CASSELMAN: I never said Chesterville or Winchester were dissatisfied with the Hydro service, but I did say the prices that were quoted to these municipalities when they voted on the bylaw were different from the prices they are now paying.

CLARENCE OSTROM.

I am in a rather funny position here today. I belong to the Hydro Commission in Alexandria. We had what we thought were a number of grievances. Fortunately or unfortunately, Mr.Drewry came to our town and things are more or less straightened out, and I am almost as optimistic as Mr.Ault, although I was far from feeling that way last night. There were a few points they wished to take up in particular, and that was to see if it was not possible for a new municipality like ourselves to have a sinking fund deferred for a period of three or five years, the same as we have seen in the papers has been done in Nipigon or in other systems.

Q. How long have you been taking power now?

A. 18 months.

MR.JEFFREY: Do you mean depreciation or sinking fund? A. Depreciation.

Q. What are you paying now? A. We are now paying $85.

MR.DREWRY: $80 or $85.

MR.McLEOD: The Reeve said it was $105.

MR.OSTROM: He is away out there. Some of the costs to a layman seem very high. I do not know whether the Commission has investigated that or not. We had one-third of a mile built from Cornwall, and the total cost of the whole line was something like $207,000, which seems to a layman to be very expensive, and part of our operating expenses is a share of the head office expenses, and they are $900. That is the cost of the Toronto Office.

Q. How much power are you using? A. Last year we took an average of 90 h.p., and that comes to $10 per h.p. for our expenses in Toronto, which seemed to us very expensive.

THE CHAIRMAN: That seems high, Mr. Jeffrey, - $10 per h.p. for expenses in Toronto.

MR.JEFFREY: I might say that Alexandria is one of the new towns, and on account of it being a new town, there is a lot of work in connection with getting things squared away; and we expect those charges to be materially reduced this year. I admit that it appears high per horsepower, but we expect a very material reduction. During the first year's operations, there is always more or less work in getting the work started. There is more time spent on a new town than there is on a town that has been operating for a while, and our men have to go around and spend more time on it and making longer visits, and consequently the costs are higher.

MR.OSTROM: Is there any reason why the depreciation fund cannot be deferred; there will not be any depreciation the first two or three years?

MR.JEFFREY: Very little.

THE CHAIRMAN: What was your depreciation charge?

MR.JEFFREY: 3%.

MR.OSTROM: We ask that it should be suspended altogether for a period of years. We are wondering why that could not be done the same as is being done on the Nipigon system?

MR.JEFFREY: That is not correct.

MR.OSTROM: That is another case of the press reports being incorrect?

THE CHAIRMAN: It was urged by Sir Adam Beck that that might be advisable.

MR.JEFFREY: They have got it twisted. I might say in the matter of depreciation that during the first five years of operation of a new plant, there is very little actual depreciation, but you have to set up the fund in the life of the plant to take care of it so that if you do not set up any depreciation the first five years you will have to set up a higher depreciation for the succeeding years - the fund has to come out of the revenue.

MR.CASSELMAN: Do I understand the gentleman from Alexandria to say that the administration charges in connection with Alexandria service amounts to $10 per h.p.?

MR.OSTROM: The administration charges in Toronto for last year, yes.

MR.CASSELMAN: Then I could not have made a very extravagant statement when I said the average for the Province was $5.75.

MR.OSTROM: No, I think that is a very low charge.

COMMISSIONER R.A.ROSS: When you come to adopt

figures on a very low horsepower, you get surprising figures per horsepower.

MR.JEFFREY: In some of the new municipalities in the St.Lawrence System, if you figure out the average cost of power last year, you will find it runs 200 or over $300 per h.p., but there is an explanation of that; they were only on a couple of months, and if you take power for two months and divide it by twelve, you get five or six horsepower, and you can make up a charge of $300 or $400 per h.p.

MR.OSTROM: After interviewing Mr.Drewry last night, I think we had far better wait. Quite a bit has been said today, and I guess the Commission has heard a good deal about a flat rate, and what I was wanting to know: Is Hydro the only utility that is not on a flat rate? Take a railway - take the Grand Trunk, they built a line 100 miles west and 100 miles east of Cornwall, and on one side, on account of the rock, it will cost a great deal more but if you travel 100 miles on either side, it costs exactly the same price.

THE CHAIRMAN: Under the flat rate you would not pay anything.

WITNESS: My idea of a flat rate was according to the distance you are from the source of power . A railway company will charge you a certain price to go 50 miles, and double that price if you go 100. Town in Eastern Ontario we say: Why should a man 30 miles from Niagara Falls pay $18 per h.p. for power, and here we are 30 miles from the source of power and yet we pay $65?

COMMISSIONER R.A.ROSS: The question of price for power is very largely a question of how much power you use. If you had a railway 100 miles long, you would pay so much a mile for sending freight over that railway, If you had 10,000 tons a day; it would be less if you had 100,000 tons a day. Your fixed charges on lines is a large part of your operating cost,and is ten times as much in one case as the other. Therefore your rates can be decreased correspondingly. It is very largely the tonnage that determines the cost, and very largely the quantity you take at the end of the line that determines the cost of power. If you take twice as much,the rates will drop.

JAS.W.McLEOD.

I am very much interested in this rural question, more than I am in the city and town distribution question. I have listened to the different solutions and suggestions, and I am still of the opinion that the zone should be tried. Set off certain zones and try it in these zones, and see if it cannot be made to work just the same as the telephone. I think the zone system is the only way that this matter can be properly worked out.

COMMISSIONER HANEY: If you make the zone big enough you will get a flat rate.

MR.McLEOD: That is the ultimate result. It is a matter of education and co-operation. This is a great era of co-operation. We hear of that on every side. Somebody must bear the burden. The big fellow must bear the burden of the weak.

MR.JEFFREY: I have had a lot of experience in the matter of fixing rates and calculating rates,and I think

perhaps Mr.Ross will bear me out when I say that if you keep on trying to get the rate which seems equitable to all classes of consumers,you always come around to the flat rate. I have had my staff in with me talking over rates and suggesting changes that would make certain rates more equitable,and they all come around in a circle to a flat rate,because that is the easiest place to go. I am not saying that is where you should stay.

MR.McLEOD: It seems to be like water finding its level in a flat rate. I believe Hydro is willing to work with us on this question. It is a big question,and if we can only get together,we could settle it. I have hopes that this Commission will be aole to solve this question. It has been said that you cannot transport freight for the same amount of money for 100 miles that you can for 50 miles. There is another view to take of that. The suggestion has been made to me by certain gentleman who is not a farmer. He suggests that you cannot draw a load of hay ten miles for the same price that you can draw it five miles. He must know that you have to draw that hay to the market, and you will get the same price whether you draw it ten or 25 miles. I live four and a half miles from this town,and I can get $10 a ton for my hay,and if I lived 25 miles out from the town,I would only get the same price.

COMMISSIONER HANEY: That is the flat rate?

A . That is the flate rate. We have got to make some charge on the water powers of this Province,and the men using these water powers will be taxed for the use they make of them. I am absolutely against taking it out of the consolidated revenue of the Province,but we will have to establish some

fund,and that fund can be established by a tax on the water powers of the Province,and we should do it here where the Hydro use these water powers and where Mr.Beach uses them,and we ought to be able to equalize in that way the rural distribution of power. I do not say we can arrive at a complete flat rate at once.

MR.JEFFREY: The tax on water powers in Ontario is more than it is in the Province of Quebec.

COMMISSIONER HANEY: If they can stop the leaks on the rural lines,we might get nearer the flat rate.

MR.McLEOD: Yes, and when they are charging $10 for administration charges at Toronto,that is quite a leak.

MR.JEFFREY: Alexandria is a new town,and you must expect the cost of administration per horsepower will be more on that account,but when the load has grown to a reasonable size,the cost of administration will drop to a normal sum. That is the whole explanation of that high cost at the present time. If you are going to adopt a flat rate scheme, you will have to upset the whole basis and fabric of the Hydro scheme.

COMMISSIONER HANEY: And simplify it?

MR.JEFFREY: Probably.if you want to do that and if you want to cancel all the contracts the municipalities have signed and let the Government take it over and operate it as a Government scheme and give everybody a flat rate up to James Bay,then you have solved it.

MR.McLEOD: I think there are other ways of solving it. I think Mr.Jeffrey put my statement too strong when he said the big stick had been used on the Eugene Phillips people. I think my evidence said the application

of the big stick had been employed by this company;although the rate quoted to Cornwall was lower than Brockville they went to Brockville,and I think,as I said,the implication was there.

PAUL LANDIS.

THE CHAIRMAN: Mr.Landis is of the firm of Price Waterhouse and Company,and he has been going through the accounts of the Hydro in the St.Lawrence district, and we will have him speak now as to the accounts. We want you to tell us just how you find the different accounts in connection with the system down here.

MR.LANDIS: I might suggest,Mr.Chairman,that we take a few minutes in a review of the history of the system. The inception of the system was in 1912 when the Commission entered into a contract with the municipalities of Brockville and Prescott under date of July 26th,1912, the Commission in that contract agreeing to construct the necessary lines and stations. The operations were commenced in 1914. The municipalities comprising the system together with companies were Prescott,which started operating December,1913; Winchester started operations in January,1914. Chesterville,March,1914; Brockville,April,1915; Williamsburg April 1914; Alexandria,January,1921; Maxville,February,1921; Apple Hill,April,1921; Lancaster, May,1921; Martintown, May, 1921.

In addition to the municipalities there is the Howard Smith Paper Mills,Limited,formerly the Toronto Paper Manufacturing Company,Limited, contract for 10 year period, with extension privileges". Also the James Robertson is a

customer with no contract.

Power was supplied from the New York and Ontario Power Company from December,1913, to March 31st,1916;by M.F.Beach,Iroquois,Ontario, from April 1st,1916,to April 30th,1919; the Cedar Rapids Transmission Company,Limited, from May 1st,1919,to October 31st,1921; the Village of Morrisburg for power supplied to the Municipality of Williamsburg only, April 1st,1915, to December 31st,1920, and intermittently since.

COMMISSIONER HANEY: Who owns the plant at Morrisburg? A. I judge the Village of Morrisburg; I could not say definitely.

MR.AULT: The Village of Morrisburg owns one plant and the Tin Plate Company the other. They are practically tied up together.

MR.LANDIS: Turning to the accounts of the system, the aggregate investment in the system,October 31st,1921, was $854,193.53; September 30th,1922 - the latest date at which the accounts were closed, $989,668.44. The property consisted of wood pole lines, transformer stations and transmission lines,and rural lines. For the last four or five years,the total balance as of October 31st, leaving off the cents,for 1915, $201,310 - additions for the year ending October 31st,1918, $148,854; 1919, $163,203; 1920,$127,767; 1921,$213,060. From November 1st,1921 to September 30th,1922, $135,475. There were rural lines in the system,the expenditure in connection with them on August 31st,1922,amounted to $45,735.16,- Estimates of additional funds required for the construction for the two years ending October 31st,1922-1923; $276,000 for the year

ending October 31st,1922,and $120,000 for the year ending October 31st,1923. A review of the operating accounts show that the municipalities have paid cost or been charged for power at cost,and the accounts show the power furnished companies for the last four years. The power furnished the Toronto Paper Manufacturing Company in Cornwall resulted in a loss of $1,114.81 for the year ending October 31st,1919, and a loss of $3,167.22 for the year ending October 31st,1920. For the year ending October 31st, 1921,the name of the Company was changed to the Howard Smith Paper Mill and the loss was $1,409.61,and there was a small loss on account of the James Robertson Company of $3.77, making a total loss on companies of $1,413.38 for 1921.

The losses sustained through sales of power to companies of $1,114.81 and $3,167.22 during the years ending October 31st,1919 and 1920 respectively,were charged to the Reserve for Contingencies and the loss of $1,413.38 in 1921, was charged against the municipalities and included in the cost of power supplied to them.

Q. Have you a statement of the balance owing to or due to the municipalities? A. I have not come to that yet.

Dealing with the several accounts that there has been more or less dispute on,they have been covered in a general way so that you probably do not care to go into further particulars,but those in Cornwall,the Pulp and Paper Company accounts, - briefly no revenue was included in the accounts as having been received from that company due of course to the fact that the account was not paid, and it was not considered a collectable account. About $1,000 or $1,500 was paid.

Q. How much was not paid? A. The amount that was not paid was $17,621.87.

MR.JEFFREY: The company only operated a very few months, and then the bottom dropped out of the pulp market, and they stopped operating. The Commission continued to bill them with 75% of the previous maximum at the rate at which the power was supplied to them, and consequently the amount owing increased to the amount of $17,000 some odd dollars, although no power was supplied, and the only expense in connection with the company was the carrying charges on the two and a half or three miles of lines to serve them. There is no asset on the books in respect of any account receivable. That account was not included so that the effect of it would be, from an accounting standpoint, that a bad debt was written off.

MR.LANDIS: The other account in dispute was M.F.Beach. Beginning in 1913, M.F.Beach was furnishing power to the Village of Iroquois and to the New York and Ontario Power Company, at a rate below $12 per horse power. The Commission purchased this same power from the New York and Ontario Power Company at a rate of $14 per horse power. When the Commission began taking power directly from Mr. Beach, $12 was considered a fair price and payment was made at this rate during the period from April 1st, 1916, to April 30th, 1919. I was informed by Mr.Beach yesterday that an appointment has been made of a sole arbitrator so that a decision has not yet been reached.

Q. To determine what if any is due? A. Exactly. The Commission has paid into court $78, representing, in the

main, rent for sub-station admitted by it as payable to Mr.Beach.

COMMISSIONER HANEY: Was this arbitrator mutually agreed to?

MR.JEFFREY: Yes,Mr.Robertson of Montreal.

MR.LANDIS: October 31st,1921, an adjustment representing a reduction of $17,709.88 was made by the Commission.

THE CHAIRMAN: The renewal rate was at 4% and was made 3% from the start? A. Yes.

Q. And all that had been reduced over and above 3% was used in the reduction of the cost of power? A. It has the effect of reducing the cost of power by that 1% previously included as a renewal charge.

Q. What justified them in doing that? A. That would be a point that would possibly have to be more fully explained by the engineering department of the Commission.

Q. Was it done on the recommendation of the engineering Department? A. That is within the province of the engineering department who would make recommendations or who would be asked for recommendations by the Commission. We understand they did make a recommendation. Mr.Jeffrey can answer that in further detail.

MR.JEFFREY: The rate at the date Mr.Landis is speaking of,all depreciation was reduced from 4% to 3%,and an adjustment made upon that basis,and a further deduction in the fund will be provided at the next meeting of the Commission to 2%. They have already considered the matter of revising the renewal rate on all systems on the basis of

a new schedule of the life of equipment based on the Commission's experience from the date it commenced operations, and it will mean a further rebate to the town on this system of a considerable amount, which will further reduce the cost of power. I have here a schedule of about what this will amount to, although it is not yet approved.

Q. The rate for renewal is not a statutory rate?

MR. JEFFREY: No, it is fixed by the Commission.

COMMISSIONER R.A. ROSS: That is an accumulative amount? A. Yes.

Q. So that the actual percentage for the year unaccumulative would be 1½? A. Oh, no, that is the actual, - maybe I do not understand you.

Q. Supposing you trusteed that fund and put it aside and did not debit anything against it? A. I cannot tell you off hand, but it would be somewhere in the neighborhood of 3%.

MR. LANDIS: The adjustment of the renewal reserve was distributed according to the amounts previously paid in, so that Brockville received a credit for $7,724.44; Chesterville, $3,272.87; Prescott, $2,902.35; Williamsburg, $294.70; Winchester $2,161.59. That is the benefit or credit that was given on account of the change in the renewal rate, and it was applied as credits to accounts that stood on the books, increasing any credit balance and decreasing any debit balance in respect of power costs adjustments, the total amount $17,709.88.

Q. That would really balance the loss that was made by this company not paying its bill?

A. Of course there is no connection there; the other was $17,000.

Q. If that company had paid its bill, they would have left the sinking fund the way it was? A. Except that it would not be apportioned in the same manner.

MR.JEFFREY: The amount of rebate to the various municipalities on the basis of this further adjustment totals $25,398.67.

THE CHAIRMAN: You are very liberal withthat fund?

MR.JEFFREY: No,very accurate.

MR.LANDIS: These figures Mr.Jeffrey has given will be very interesting when we come to the statement with regard to Winchester.

As a result of the annual adjustment of accounts, in the net it shows that the net amount due certain municipalities in respect to cost of power for the year ending October 31st,1918, - the municipalities owed the Commission in addition to what had been collected in interim power bills: 1918,$5,078; 1919,$4,964; 1920,$6,055; 1921,$1,687. That is distributed then over the different municipalities so that the statement would be interesting. October 31st, 1922, accounts still unpaid; September 20th,1922, Alexandria still owed of the amount charged municipalities in excess of what had been collected in interim power bills $3,490.01; that is made up entirely of the year 1921. Apple Hill,$398.46; Brockville accumulated from 1915 to 1921,$4,052.08. Chesterville accumulated from 1914 to 1921, ~~$6~~ $4,618.29. In 1916 the amount overpaid by Brockville was $301.99,and in 1921, $2,809.37. The largest amount for any one year where they did not pay their interim

power bill, the cost of power, was in 1919 when the deficiency was $4,333.90.

Chesterville, extending from 1914 to 1921, the balance to October 31st, $4,618.29.

Lancaster balance unpaid $1,464.63.

Maxville balance unpaid $1,778.83.

Winchester balance unpaid $1,405.67.

MR.JEFFREY: These figures will be considerably altered by the revision. Brockville instead of having a debt due the Commission of $4,000 will have a credit of $67.88.

MR.LANDIS: This is the charge of $17,207.97 as of October 31st, 1921, accounts still unpaid September 20th, 1922.

COMMISSIONER HANEY: It all comes back to the adjustment of the amount uncollected on this power bill.

MR.LANDIS: Lancaster's charge for power for the year ending October 31st, 1921, was $300 per horsepower. Lancaster was only on for part of the year, and in order to put that municipality on the same comparative basis as the other municipalities on the system a uniform system of accounting has to be adopted, and in arriving at this rate of $337.63, it was arrived at by putting the horse power used on an annual basis. By dividing the amount by twelve instead of by the actual number of months the power was used. That was the explanation that was made by the engineering department to us, and which Mr.Jeffrey has also covered to a certain extent.

TO COMMISSIONER R.A.ROSS:

Q. All the others are on the basis of horsepower per year and that is on the basis of horsepower for six months?

A. Exactly, which ought to be paid in order to arrive at the fixed charges.

TO THE CHAIRMAN:

Q. Has there been an accumulative deficit from the start on this system? A. There is a technical point in connection with the accounts of the Commission as they must necessarily be carried on. Unlike an industrial concern or a commercial concern, it does not have a profit and loss account as they term it, but it is an operating account, so that the charges to municipalities in excess of interim power bills which are credited to the cost of power are termed rather under payments or deficiencies in the payment for the cost of power, so that adjustments were made retroactive, These are not termed technically deficits, but accounts receivable which are said to be fully collectable. That is the reason they do not term them deficits. On the other side, the credit balances are not surpluses but are accounts payable, that are owing by the Commission to the respective municipalities.

Q. The municipality would have required to get that amount in in order to balance the expenditure and revenue? A. They will have to pay that much additional over to the Commission in order to liquidate.

Q. If there had been no adjustment of the renewal fund the amounts owing to the Commission would have been between $30,000 and $40,000? A. $34,000 or $35.000.

Q. By an adjustment of the renewal fund that was cut down by about $17,000 or by half? A. Yes, that is right.

Q. By this new adjustment which Mr. Jeffrey speaks of, you

will wipe that debt pretty well out altogether?

MR. JEFFREY: More than wipe it out.

THE CHAIRMAN: Have you anything more like that?

MR. JEFFREY: We have lots of things to adjust yet.

Q. If you have a break-down what will you do?

MR. JEFFREY: Our plant is in good shape and new, it will not break down, we are not afraid of that.

Q. A storm may break down a pole line? A. Then the contingency account will take care of that, that is a contingency item in depreciation. There will be quite a large item set up for contingencies this year,

Q. How much will you annually put into the contingency fund from now on? A. I could not say that, that is an arbitrary amount.

Q. What authority had the Commission to transfer the source of power from Iroquois to Cornwall? A. I think these are agreements for power at cost.

Q. It is power at a fixed price, you pay the cost of transmission, it is a fixed price at the point of development? A. I think you will find that contract is made under the Power Commission Act, whereby these municipalities must pay cost, whatever that cost is.

Q. Your contracts state you will furnish them at a fixed price? A. Under the Power Commission Act these contracts are not contracts at a fixed price, they are contracts at cost.

Q. I think you will find you have to supply them at a fixed price at the point of development. I think you will find that is covered in the Act.

Q. You went to the municipalities and got the councils to pass resolutions authorizing the obtaining of power from another source? A. Yes.

Q. I think you will find you are to furnish it at a fixed price at the point of development and you cannot increase that. After the vote had been taken you got the municipalities to consent to transfer the point of development from Iroquois to Cornwall? A. They did by resolution.

Q. Did you ever consider whether a Council has authority, by resolution, to change an agreement approved of by a vote of the people? A. I have never considered that, that is a legal matter. I think you will find it is perfectly legal.

THE CHAIRMAN: I doubt it very much and I would like to know the opinion of your legal men on that point.

MR.McLEOD: On page 421 and 423 of the Hydro Electric Report a charge is made there to the Town of Brockville of $1,696.63 under the heading of promotion of new business. There is no other similar charge made to any other municipality for promotion of new business but in the total of the column the amount appears to be $3,825.11, making a difference of $2,128.48 which apparently is unaccounted for.

MR.JEFFREY: That is their own distribution system. You are looking at one thing and thinking of another. On that page is given the details of the operation and revenue and expenses of the local system in Brockville. In the Town of Brockville they happen to keep their books in such a way that they can determine

the cost of the promotion of business. That is not something paid to us, that is the operation of their own system with which we have nothing to do, except that we audit their books. They spend their own money and they operate their own system.

MR.McLEOD: How do you make up the difference of $2,128?

MR.JEFFREY: You are talking nonsense and I am getting angry. That is an auditor's statement of the various systems for each year and it shows the various items of expenditure and the promotion of business is carried over into the total.

It is no wonder I am getting angry. You are looking in one case at 1921 and in the other case at 1920, your eyes are crooked.

THE CHAIRMAN: The printed lines are out of order and that is how Mr.McLeod has made the mistake.

MR.McLEOD: I want to tender the Members of the Commission a vote of thanks for coming here today, I move that vote of thanks on behalf of the county and I also want to tender a vote of thanks to the Hydro staff for their attendance here today and the explanations we have received from them on the different points. I think it will be of great assistance to us and it has been a pleasure to me to have been here and listen to the different explanations given.

THE CHAIRMAN: It is a pleasure for the Commission to come here and to have had the assistance we have received from you gentlemen so as to enable us to report wisely upon the questions which have been submitted to us.

This is a part of the country which we do not often visit and in the course of our work we have met with a great many gentlemen whom we are very glad to meet. My colleague, Mr.Ross, is very near home when he is at Cornwall and the nearer he gets to Montreal the better he likes it. We also desire to thank Mr.Jeffrey for being here and having kept us good natured all the time. We have always received a great deal of help from Mr.Jeffrey and his knowledge is inexhaustible and it is necessary to be cautious before criticising him.

---Adjourned at 9:30 P.M.

APPENDIX.

GODFREY,LAWSON & CORCORAN,
BARRISTERS, ETC.

Toronto,June 2nd.,1922.

Hydro-Electric Power Commission,
Toronto,Ontario.

Dear Sir:-

I have discussed with Mr.Beach, the various suggestions in connection with the rural power development scheme in the County of Dundas. After giving the matter careful consideration, he has instructed me to make the following offer to you:

The Commission will proceed along the usual policy of constructing the transmission and distribution lines receiving in connection therewith the 50% bonus provided by the act. The Municipality of course will own these lines in the usual way. The Commission will take over the lines already constructed, amounting to approximately 14 miles and

which have cost Mr.Beach $21,000.00. In addition, he has on hand 14, 5 Kw. Transformers for which he paid $125.00 each. You are to take these over at the cost, amounting to $1,750.00. It is understood that you will also receive a 50% bonus in connection with these lines already constructed and transformers purchased. If the present state of the law does not allow the bonus to be paid on the lines already constructed, we have no doubt the Act can be amended at this Session to provide for that.

Mr.Beach will enter into a contract with you to supply electrical power on the system at a stand by charge of $30.00 per year, and 6¢ per kilowatt hour. This is to be on the basis of three users of power to a mile. If there are less than three users, then the stand by charge shall be proportionately higher.

Mr.Beach will agree to maintain the lines in good repair.

Mr.Beach will collect all payments from customers and pay to you each month, one-twelfth of the interest charges on the debentures issued for the construction of the line.

After the expiration of five years, he will agree to pay 4% a year on the debentures, in order to provide a sinking fund to pay the principal. He is assuming that the debentures will be thirty years and will be insured for one-half the construction, the other half being provided by the bonus of 50%.

Mr.Beach will provide power up to a maximum of 400 H.P.

MR.BEACH:will agree to build all additional lines at a cost of $1,500.00 per mile.

Yours truly,

"J.M.GODFREY."

Toronto,June 1st,1922.

Hydro Electric Power Commission of Ontario,

Toronto.

Dear Sirs:-

Mr.Mahlon Beach, of Iroquois, has made an offer to the residents of the Townships of Matilda, Mountain, Williamsburg, and Winchester in the County of Dundas, and Edwardsburg and South Gower, in the County of Grenville, to transmit and supply to them electrical power and energy at $30 per year, stand-by charge, and 6¢ per kilowatt hour consumption charge. This offer is made contingent on his receiving from the Government 50% of the cost of building the primary transmission line.

As you are aware, I have been endeavouring to have passed at this Session of the Legislature a Bill which will allow this payment to be made, so as to permit the residents of these townships to take advantage of this very reasonable offer. It does not seem probable, however, that such legislation will be passed. I therefore, submit to you for your consideration the following alternative proposition:- As you are aware, under the existing legislation, you are entitled to receive this 50% bonus. Mr.Beach is prepared to transfer to you his present transmission lines at actual cost. He is also prepared to supply you with power from his plant at Iroquois at the rate

of $16. per horse power per year. I have no doubt in case you purchase this line you will receive from the Government one half the cost. Are you, on your part, prepared to proceed with the Beach scheme and supply the residents of these townships at the rate agreed upon by Mr.Beach, namely,- $30 per year, stand-by charge, and 6¢ per kilowatt hour, consumption charge. This would also include taking over the contract already made by Mr.Beach upon this basis.

Yours truly,

"M.A.CASSELMAN."

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of 916, per horse power per year. I have no doubt in case you purchase this line you will electric from the convenient complaint the coast. Are you, on your part, prepared to proceed with the Beach scheme and supply the residents of these townships at the rate agreed upon by Mr.Beach, namely,- £10 per year, stand-by charge, and 6¢ per kilowatt hour, consumption charge. This would also include taking over the contract already made by Mr.Beach upon this matter.

Yours truly,

"E.A.CASSELMAN."
